

NEWS SUMMARY

GENERAL BUSINESS

Pakistan puts off poll plans

Pakistan's President Zia-ul-Haq appeared to have abandoned his plans to transfer power to a civilian Government by announcing that general elections, scheduled for November 17, had been postponed indefinitely.

Lamb dispute The seven other EEC countries and the EEC Commission announced support for Britain in its dispute with France over lamb and mutton imports.

Dissident jailed China's leading dissident intellectual Wei Jingsheng, formerly chief editor of the underground newspaper Explorations, was jailed for 15 years after being found guilty of counter-revolutionary crimes.

Demirel's turn Mr. Suleyman Demirel, leader of Turkey's Justice Party, is expected to be asked today to form a new government after the resignation of Premier Bulent Ecevit.

Brezhnev cable Soviet leader Leonid Brezhnev has sent telegrams to Mrs. Thatcher and West German Chancellor Helmut Schmidt elaborating on his offer to cut troops and tanks in central Europe.

Nobel winners The 1970 Nobel Prize for economics has been awarded jointly to Prof. Theodore Schultz of the U.S. and Prof. Sir Arthur Lewis of the West Indies for pioneering studies into the problems of developing nations.

Carter boost One of the U.S.'s most powerful mayors, Jane Byrne of Chicago, has pledged support for President Carter and criticised Senator Edward Kennedy's expected bid to force him out of the White House.

California quake One person was killed and at least 70 injured in southern California's worst earthquake for 40 years. Its centre was at Calexico, just north of the Mexican border but the effects of the quake, measuring 6.4 on the Richter scale, were felt as far north as Los Angeles.

Financial Times The Financial Times apologises to readers in the London area who may not have received their copy yesterday. This was due to mechanical problems and an industrial dispute.

Briefly... Israeli troops blew up three houses in the Gaza Strip belonging to residents accused of killing an Israeli soldier. One person was killed when police opened fire on a crowd which attacked a police station in the western Indian city of Ahmedabad.

Equities up 4.5; Gilts firm



Equities were unsettled with interest centering on special situations, and the FT Ordinary Index rallied at the close to 4.5 points up at 472.5.

GILTS were firm with gains among shorter. The Government Securities Index closed 0.19 up at 71.07.

STERLING fell 25 points to \$2.1530 and its trade-weighted index rose to 88.9 (68.8). The dollar rose to 85.9 from 85.4.

GOLD fell \$9 to \$391 in London.

WAL STREET was 2.29 up at 833.45 just before the close.

JAPAN sustained the largest half-year current account deficit in its history in the six months ended last month as a result of soaring oil and timber prices.

CHAIRMEN of nationalised industries will be told by the Government that they should plan wage rises this winter well below the 17 1/2 per cent increase expected in the retail price index by the end of the year.

NEB CHAIRMAN has said that Rolls-Royce should adopt more stringent application of financial discipline, especially regarding future State funding of its aero-engine programme.

EUROPEAN COMMISSION is examining measures to curb the flow of man-made fibres and petrochemical feedstocks into the EEC from the U.S.

MARKS & SPENCER first half pre-tax profits rose from £72.9m to £76.86m on sales up from £688.19m to £766.8m.

FURNESS WITBY Group pretax profits for the first half of 1970 fell from £5.75m to £501,000 on turnover down from £95.3m to £92.5m.

LABOUR AUEW executive has decided to go over the heads of shop stewards and recommend strikers at Chrysler's Stoke engine plant to return to work.

CONFEDERATION of Shipbuilding and Engineering Unions executive agreed last night to recommend the Edwardes plan for plant closures and job cuts at BL in a ballot of the workforce.

Thorn launches seven-for-20 share offer for EMI

BY CHRISTINE MOIR AND JOHN LLOYD

THORN Electrical Industries, the UK's biggest television rental group, has decided to grapple with the music and medical electronics problems of EMI.

Before the bid was announced, EMI's shares stood at 85p. After it, Thorn's began to tumble, and ended 38p down at 37 1/2p.

Sir Richard Cave, Thorn's chairman, said that the chief reasons for the bid were that EMI's record and music business would complement Thorn's manufacture and marketing of televisions and other video and audio products.

The future of EMI's medical electronics division is clouded. Sir Richard would say only that it would need to be given special consideration.

Thorn hopes for an agreed merger, but so far EMI has replied by asking shareholders to hold tight until a board meeting this week.

The offer will also need to be approved by Thorn's shareholders under Stock Exchange rules governing large acquisitions.

In the year to March, Thorn made profits of £118m on a turnover of £1.2bn. EMI's turnover to June was £870m, but profits collapsed by 58 per cent to £10.6m.

THORN'S BID for EMI is the first for a company listed on the London traded options market. The London Options Clearing House reacted by demanding £35,000 cash in an hour from two broking firms.

Cash deposits are required by the clearing house when a stockbroker's client sells the right to buy shares that he does not own.

The difficulties arose in the previous year to only £10.6m. No final dividend was paid.

North Sea oil boost fails to prevent UK deficit

BY R. RIDDELL, ECONOMICS CORRESPONDENT

THE UK remains in deficit on the current account of its balance of payments in spite of a big rise in North Sea oil output, which produced a surplus on trade last month for the first time.

The current account deficit in September was £100m, the same as in the previous month. But this was after a £132m improvement on the oil account to a surplus of £9m during the month.

The engineering strikes apparently had little impact on the figures. The deficit in the last few months has been considerably lower than in the first few months of the year but the outlook for this year as a whole seems likely to be much worse than expected.

The average deficit in the July-to-September quarter was £100m a month, compared with about £400m a month in the first half of 1970.

There was a particularly sharp rise in exports in the third quarter. Volume was 8 1/2 per cent up compared with the average first-half level, which was 2 per cent down on the previous six months.

The recent rise mainly represents a recovery from the depressed conditions of the first half, when shipments were reduced by difficulties in Iran and Nigeria, and by the road haulage dispute.

Sales to Nigeria rose by 60 per cent in the third quarter, while exports to Iran were 40 per cent up, compared with an average rise in value of overseas sales of 14 per cent.

BP sale scaled down to 5%

By Nicholas Colchester and Philip Rawstorne

THE BRITISH Government has scaled down its planned sale of shares in British Petroleum to 5 per cent of the share capital.

The Treasury announced this last night in a statement explaining how the Government would raise £1bn in this financial year by selling Government assets.

The Treasury said that the BP sale would raise £200m to £300m. The BP share price moved sharply upwards yesterday by 20p to 382p on the news that less stock was to be offered.

The Government's proposals came under furious attack from Labour leaders last night. Dr. David Owen, Shadow Energy Secretary, said he intended to ask the Stock Exchange Council to rule whether the sale of BP shares was a breach of its own regulations.

As in so many recent large bids, the institutions will play the decisive role. Insurance companies, pension funds, banks and nominees control 74 per cent of Thorn. EMI's institutional shareholdings, in spite of sales in the past year, still amount to three-fifths of the equity.

Both sets of advisers—Hambros for Thorn and Lazards for EMI—are also aware that Thorn is not the only potential bidder. Philips, Racal and GEC have all been mentioned as possible contenders.

No details on the timing, mechanics or price of the sale were given yesterday. The shares in BP will come from the Government's direct holdings, which will be reduced by the sale to 25.9 per cent.

The balance of the £1bn will be raised through the advance sale of crude oil from the British National Oil Corporation, which will raise between £400m and £500m, the sale of new town assets and public sector land worth £100m to £150m, and the sale of various holdings of the National Enterprise Board for £100m-£150m.

When Sir Geoffrey Howe, the Chancellor, announced his plans to sell assets in his Budget speech on June 12, he said that the biggest contribution to the total of £1bn would be derived from the BP sale.

The amount now to be raised by the advance sale of BNOOC's oil has reduced the required size of the BP disposal. This disposal had been viewed with some concern in Government circles, because of its strategic implications.

Otherwise, there has been a deterioration in non-oil trade and in invisibles. It is estimated that there is neither a surplus nor a deficit on invisibles.

Although private-sector earnings of, for example, City institutions are still rising, this has been offset by higher EEC contributions and North Sea profit payments abroad.

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Front softens stand against constitution

BY BRIDGET BLOOM, AFRICA CORRESPONDENT

THE PATRIOTIC FRONT guerrilla alliance retreated last night from its hard-line opposition to the British draft constitution for Rhodesia.

The Foreign Secretary's spokesman was at pains to say that at the afternoon's bilateral meeting with the Salisbury delegation there were only "preliminary discussions" of the next agenda item, elections under the new constitution, and that "no decisions were taken."

The conciliatory tone by Britain was in marked contrast to the schoolmasterly approach of the Foreign Secretary on Monday when he announced the decision to exclude the Front from the conference until it accepted the constitution.

These marked changes in attitude on both sides underline the delicate "poker game" aspect of the conference and the very real pressures operating on each side to reach a compromise.

Clearly Lord Carrington did not like the criticism of his tactics by Mr. Sbridiath Ramphal, the Commonwealth Secretary-General, who said on Monday that the Foreign Secretary was acting according to neither the spirit nor the letter of the Lusaka summit agreement.

The Front has been influenced by the front-line African States, which while supporting its position in many respects remain insistent that the conference must not break down over the constitution.

President Nyerere of Tanzania believes that the Front will agree to his terms and accept the constitution "subject only to the negotiation of satisfactory arrangements for its implementation."

Whites against Land Plan Page 4

Continued Back Page

Tonight is deadline for The Times' future

BY CHRISTIAN TYLER, LABOUR EDITOR

A DEADLINE of tonight for the success of crucial negotiations with The Times' main craft union, the National Graphical Association, was formally set yesterday.

If those talks fail, the Boards of Times Newspapers and of its parent company, Thomson British Holdings, will meet tomorrow to decide the fate of The Times, The Sunday Times and their supplements.

The decision would be conveyed to a meeting of all the print unions general secretaries which the company has called for Friday afternoon in the Crays Inn Road building of The Times.

Three directors on business in the U.S. will be flying back, and a number of the independent directors of Times Newspapers—created when Thomson took over in 1966—may also be present. Their role is to safeguard the papers' editorial independence.

In spite of the mounting tension after 18 months of dispute and 10 months of non-publication, there was no sign last night that the negotiations, Continued Back Page

CHIEF PRICE CHANGES YESTERDAY

Table with columns for RISES and FALLS, listing various commodities and their price changes.

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EUROPEAN NEWS

Timely Olympic boost for Switzerland

DURING NEXT year's Olympic Games in Moscow and Lake Placid, millions of television viewers all over the world will again see the words "Swiss timing" repeatedly flash on to their screens.

Already, the Swiss watch companies involved are running large international advertising campaigns proclaiming their role as official time-keepers.

Swiss companies can do with the Olympic prestige. The industry has come under pressure in recent years from cheaper Japanese and other Far East manufacturers.

Switzerland's watchmakers have been employed for the timing of all Summer Olympics since 1920 and all winter Olympics since 1936—with the exception of those held in Japan—as well as a long list of regional games, world championships and individual record attempts.

This kind of activity has long ceased to be profitable since time-keeping has been out of the stopwatch phase for almost half a century. It now calls for some pretty costly advanced electronics.

The increased costs have meant that no one Swiss company now gets the Kudos. It is shared among a number of Swiss concerns, as well as some West German ones.

By the Mexico City games of 1968, Omega, which for decades had been the biggest name in Olympic time-keeping, was feeling the expense. Four years later, in Munich, it co-operated with the West German Junghans concern and with its arch-rival Longines.

The two Swiss companies, which had already collaborated in a smaller way in the Innsbruck winter events of 1964, realised the advantages of co-ordinating their efforts in this field and gained the wholehearted support of the Federation of Swiss Watch Manufacturers (Fédération Horlogère). The Federation had for years been looking for new ways to

The watch industry in Switzerland has come under growing pressure in recent years from Japanese and other Far Eastern manufacturers, writes John Wicks in Zurich. And although timing the Olympics, which calls for costly advanced electronics, has long ceased to be profitable, Swiss watchmakers could well do with the fillip the Games will bring.

It does help Swiss concerns considerably at the top end of the market. All the available evidence suggests that the future of Swiss concerns probably lies at the more expensive end of the trade. The industry has suffered from competition from the cheaper Asian manufacturers, particularly in electronic watches.

The industry could do with the fillip of a new round of Swiss-timed Olympics. In the first seven months of this year, Swiss watch exports were down 7.7 per cent against 1978, despite the marked rise in sales of electronic timepieces. Between 1974 and 1978, Switzerland's share of total world exports of watches and watch movements dropped from over 61 per cent to less than 35 per cent.

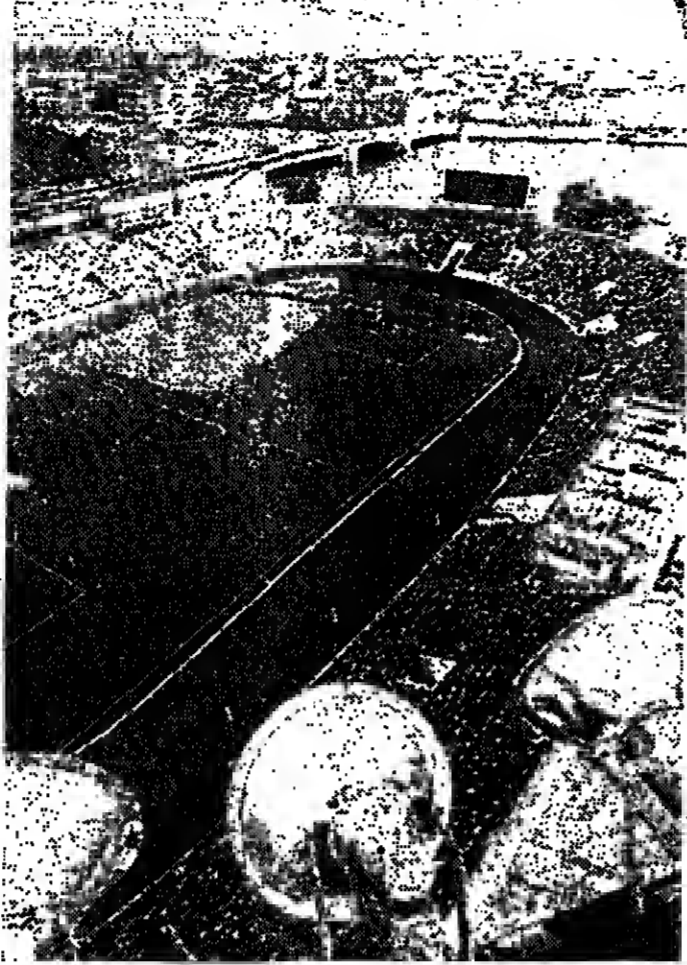
The big groups like Société Suisse pour L'Industrie Horlogère (SSIH) to which Omega, Tissot and the Longines parent Asuag belong, are trying to weather the storm by restructuring where possible.

SSIH recently announced that it has closed down a small factory producing cheap electronic watches, even though the boom in electronic watch sales is predicted to continue.

The closure of the Actos Watch Company is one sign of the industry's determination to shake out dead wood. Another indication is the 60 per cent stake bought by Desco, a member of the powerful Schultess holding company of Zurich, in the family-owned watch-making company Girard-Perregaux of La Chaux-de-Fonds.

Girard-Perregaux will continue its operations as before. But Desco, which through Schultess has an extensive international trading and marketing network, should give the watch makers a firmer grip on the world market for high-quality watches.

The strategy of the industry now seems to be to improve further the quality of Swiss watches, and to allow makers of cheaper products to wither



Reconstruction for the Olympics of the central stadium in Leningrad nears completion. Switzerland's watchmakers will again time the Games, as they have done since 1920.

The Swiss want to upgrade not only in mechanical watches but also in electronic ones. At a recent international congress on chronometers in Geneva it was estimated that electronic watches will corner an increasing share of the world market. By 1984 they are likely to push back to 50 per cent the existing 70 per cent share held by mechanical watches.

Electronic watches will become more popular not only because of their digital dials but also because of their unequalled precision and flexibility of construction which allows them to perform several chronometric functions at one time.

Swiss to consider loans for IDA

Our Zurich Correspondent

THE SWISS Government is to consider new ways of helping the World Bank International Development Association (IDA) according to Mr. Fritz Honnegger, the Economics Minister.

A national referendum in 1978 had revoked a parliamentary decision from the previous year to lend the body SwFr 200m (£55m).

Switzerland contributed to the second and third capital increases of the association; the first of these two loans has been repaid. The referendum, however, made impossible Swiss participation in the fifth capital increase.

There has been considerable criticism of Switzerland withholding this support.

The effect of Swiss failure to contribute to the IDA was heightened last month when the Government announced a 8 per cent cut in official development aid in 1980, because of the confederation's deficit following the rejection by a referendum of a value added tax.

Herr Honnegger said that the decision of the 1978 referendum would in the long term no longer be accepted abroad.

Dutch gas field 10% bigger than supposed

BY CHARLES BATCHELOR IN AMSTERDAM

THE NETHERLANDS' largest natural gas field at Slochtere is nearly 10 per cent larger than was thought. According to the State Geological Service, the field reserves are believed to contain 136 cubic metres more gas than the 124bn estimated in January.

No significant discoveries of gas have been made in the Netherlands in recent years, so any upward revision is particularly welcome.

Proven reserves—those with a 90 per cent chance of being recovered—amount to 56bn cubic metres of the latest revaluation; the rest are classified as probable reserves, with a 50 per cent likelihood of recovery.

Dutch gas reserves fell 2 per cent in the first six months of the year, largely due to continued consumption but also to downward revisions of previous estimates. Total proven and probable reserves amounted to 2,227bn cubic metres in July, 44bn less than at the start of the year. Of this 1,905bn were on shore reserves and 322bn in the Dutch sector of the North Sea.

Gas production in the first half of this year was about 10bn metres compared with 10bn in the whole of last year. Production is larger than the depletion in reserves because imports are counted inwardly and exports outwardly. The number of gas fields discovered rose to 88 in July, 15 of them associated with oil. Most are of limited value but the sharp rise in the value of gas has made it worthwhile to exploit fields not previously considered.

High price is not associated with a policy of "blacklisting" of fields. About 100 fields are "blacklisted" because they were taken to the market but not sold. Ureco can buy them back because of the gas shortage. The demonstration of the North Sea gas field has prevented a similar traffic from the North Sea since early on.

Bonn immigrant remittances up

BY ROGER BOYES IN BONN

FOREIGN WORKERS in West Germany have stepped up the amount of money that they send back to their homelands. According to estimates by the Bundesbank, the central bank, the foreign workers (known as gastarbeiter—guest workers) sent DM 2.75bn (£720m) back to their countries of origin in the first six months of the year, 8 per cent more than in the same period for 1978.

This is in stark contrast to the years between 1974 and 1978 when the foreign workers—mainly drawn from Turkey, Yugoslavia and other Mediterranean countries—sent progressively less money home.

The previous declining trend had been interpreted as a sign that foreign workers were becoming gradually more integrated into German society and slackening ties with their homelands. As more dependents came to Germany to settle with the foreign workers, the need to send money home diminished. But there still remain considerable problems in integrating the 4m workers and their dependents into the Federal Republic.

Herr Heinz Kuehn, the Government official responsible for foreign workers in Germany, emphasised the problems of integration last week.

The foreigners saw themselves less as "guest workers" who would return home after a short period, and more as permanent immigrants, the report said. At the same time, as more dependents came to Germany, the average age of foreign workers was sinking. By the year 1985, the report said, 30 per cent of all young people between the age of 15 and 18 living in Germany would be foreigners.

Herr Kuehn, formerly premier of the state of North Rhine Westphalia suggested among other things that it should be made easier for foreign workers or dependents to become German citizens at the age of 18. The regional distribution of foreign workers should also be improved. Foreign workers and their dependents account for 9.5 per cent of the West Berlin population, 19.4 per cent of the Frankfurt population but only 2.9 per cent of that in the northernmost state of Schleswig Holstein.

French pledge on Portuguese

BY JIMMY BURNS IN LISBON

FEARS THAT some of the 900,000 Portuguese working in France might be forced to leave by new immigration laws appear to have been assuaged following a recent meeting between President Antonio Ramalho Eanes of Portugal and French President Valéry Giscard d'Estaing.

There has been growing public concern here that, despite French Government promises to the contrary, France's largest immigrant community would be cut back following the expected parliamentary approval next month of the Stoleru law.

The legislation, drawn up by M. Lionel Stoleru, the Secretary of State for Manual Workers, reviews present criteria for the renewal of work permits and for social security payments.

The Portuguese Foreign Ministry said yesterday, however, that General Eanes had received a "written assurance" from President Giscard that Portuguese workers would not be affected by the law.

General Eanes is believed to have made such an assurance one of his main requests during his state visit to France last week.

Restrictions on the movement of Portuguese labour will be lifted once Portugal enters the European Community in 1983. But Portuguese officials have been worried by the implications of the Stoleru law during the next three years. Emigrant remittances provide substantial support for Portugal's balance of payments.

Moreover, Portugal's current labour market would be unable to absorb the return of large numbers of emigrants. Unemployment is already about 13 per cent and is unlikely to improve in the short term.

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CAMBODIAN REFUGEE CHILDREN:

INNOCENT

SENTENCED TO DESPAIR

As you are reading this, thousands of starving Cambodian refugees are pouring across the borders of N.E. Thailand.

An official State of Emergency has just been declared in the area and the only hope of survival for many refugee children is help from Save the Children.

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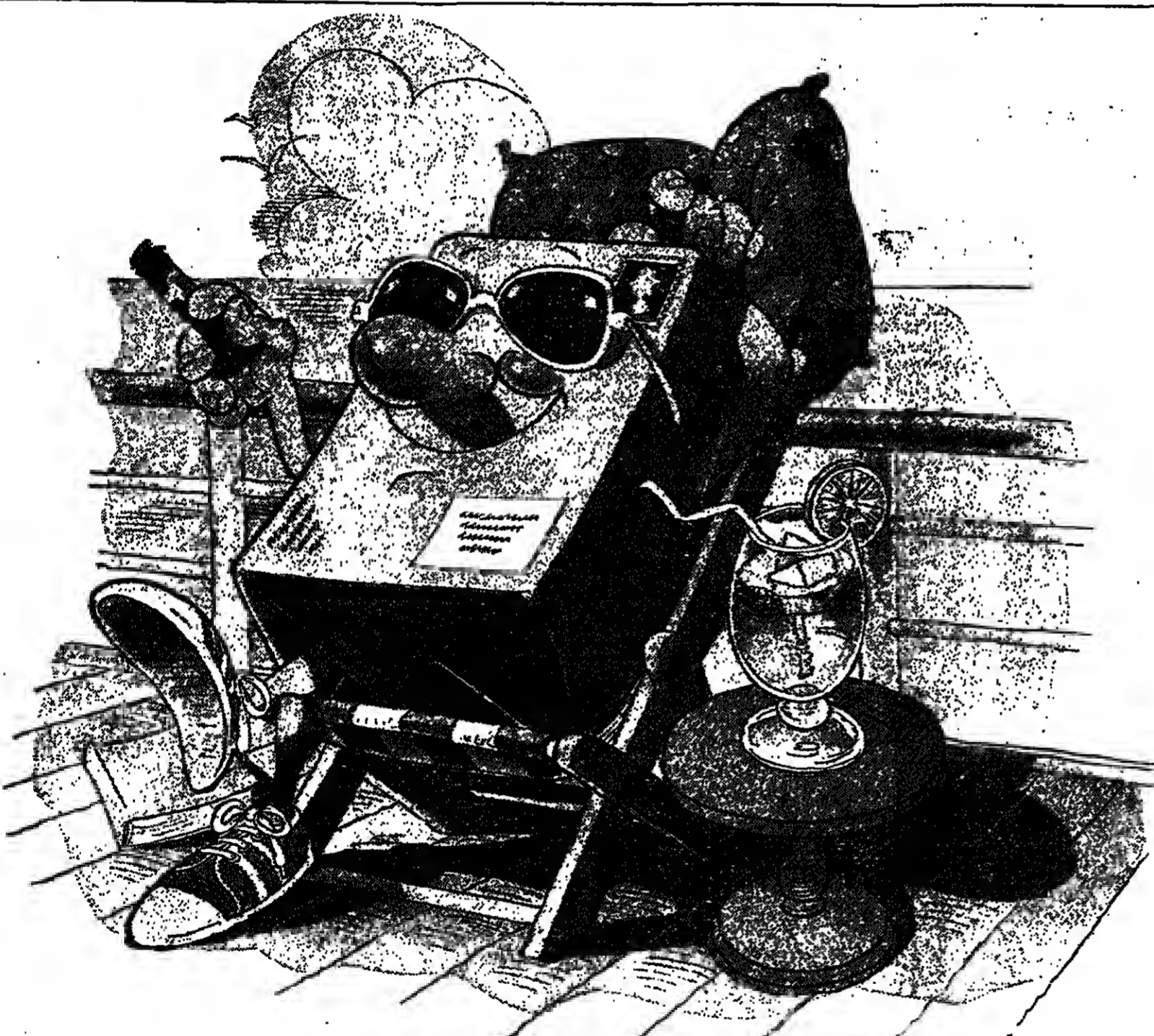
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Brezhnev contacts NATO leaders over troops offer

BY ROGER BOYES IN BONN

MR. LEONID BREZHNEV, the Soviet President, has sent telegrams to Chancellor Helmut Schmidt of West Germany and to Mrs. Margaret Thatcher, the British Prime Minister, elaborating on his recent offer to cut troops and tanks in central Europe.

In a major diplomatic offensive to win support for his initiative, Mr. Brezhnev has also sent personal messages to the Italian and Danish Prime Ministers, while the Belgian Government is due to receive a letter from the Soviet President today. It is believed that Mr. Brezhnev has also sent a telegram to M. Valéry Giscard d'Estaing, the French President, but there was no confirmation of this.

Although the details of the telegrams have not been released, it is clear that Mr. Brezhnev is personally concerned that his offer should not be dismissed by the West as a propaganda exercise or as a tactical manoeuvre to split the Western alliance.

In his recent East Berlin speech, Mr. Brezhnev coupled his announcement of a force reduction with a proposal that

Moscow would not increase the numbers of its medium-range weapons targeted on Western Europe if the European NATO countries rejected plans to station new nuclear weapons on their soil.

The offer has given rise to fears in Bonn that the Benelux countries could be dissuaded from stationing weapons on their territory. This would in turn cause problems for Germany which is determined that it will not be the only European country to have the new weapons.

The Defence Ministers of West Germany, Britain and France have just completed talks in Hamburg where the Brezhnev proposals were discussed.

The Ministers also welcomed the progress being made on the joint development of a future tactical combat aircraft to replace the current generation of Jaguar and Phantom fighters.

The Ministers—Mr. Francis Pym of Britain, M. Yvon Bourges of France and Herr Hans Apel of West Germany—made clear in a communique issued after a day of talks in

Oil puts French trade in deficit

By Robert Mauthner in Paris

FRANCE HAD a cumulative seasonally adjusted trade deficit of FF 6.6bn (about £730m) during the first nine months of this year. But invisible earnings are expected to put the current account in surplus to roughly the same extent as the trade shortfall during this period.

In September, the trade account showed a deficit of FF 1.8bn, down sharply from the August shortfall of FF 3.2bn, which was the worst monthly result for three years.

M. Jean-François Deniau, the Trade Minister, said that the trade deficit for 1979 as a whole was expected to amount to some FF 10bn, which was the upper limit of the Government's forecasts made at the time of last summer's OPEC oil price rises.

France was absorbing the shock of the oil price rises reasonably well, M. Deniau said, but his statement was made before the announcement of the latest increase.

A more pessimistic assessment of the situation was made by M. Raymond Barre, the Prime Minister, who said in a newspaper interview that modern economies could function properly only on the basis of regular oil supplies and regular oil price increases.

The constant and unpredictable increase in oil prices would inevitably fuel inflation in importing countries, lead to a deterioration in their external payments and transfer some of their national resources to the oil-producing countries.

France's energy deficit in September of FF 9bn, some FF 4bn higher than in the same month of 1978, was largely responsible for the overall trade deficit.

Excluding energy, however, the trade balance was in surplus last month to the tune of FF 7.3bn.

NOBEL ECONOMICS PRIZE

Work on Third World honoured

BY JOHN WALKER IN STOCKHOLM

THE NOBEL Prize in economic sciences or 1979 is shared between Professor Theodore W. Schultz, aged 77, of the University of Chicago and Professor Sir Arthur Lewis of Princeton University, for their pioneering research into economic development, particularly on the problems of developing countries.



Prize-winners Sir Arthur Lewis (left) and Professor Theodore Schultz

Professor Lewis who is 64, is the first person from the West Indies to be awarded a Nobel prize. He was born in St. Lucia and is a British citizen. Prof. Schultz is American.

The citation for the \$88,000 prize comments that the two men's analyses of development problems have a number of features in common and complement one another.

Prof. Schultz's main characteristic in agricultural economics is that he does not treat agriculture in isolation, but as an integral part of the economy. He also attaches crucial importance to vocational skills, schooling, research and its application. He is a pioneer in research on "human capital," a field which has been expanding rapidly since the 1950s.

The efficiency and develop-

ment of agriculture is also in Prof. Lewis's opinion, of vital importance to the growth of developing countries. But he has focussed attention on the dual nature of the economies of developing countries—the tension between a dominating and stationary agricultural sector and a dynamic industrial sector. The citation says the two

economists wide and profound experience of economic policies and underlying political systems in developing countries has made their presentation of those countries' problems both vivid and sincere.

Jurek Martin writes from Washington: One of the ironies in the joint Nobel award to Sir Arthur and Professor Schultz is

that, although their work has been complementary, both were celebrated for espousing different schools of thought on the use of labour in the agricultural sectors of the developing world. Sir Arthur's basic contention was that the labour market does not work well in rural areas—that the wages of rural labour are, in effect, worth more than their marginal production.

Prof. Schultz, on the other hand, has argued that, if labour is withdrawn from rural areas in developing countries, agricultural production falls. He has cited a number of examples, including the Indian influenza epidemic of the late 1950s, to buttress his case.

Both men, notably Prof. Schultz, have been leading and early exponents of the proposition that education in the developing world has to be seen as an investment. They have argued that it is not a drain on scarce resources or merely a service and is perhaps the most important key in the transition of economically primitive societies to a more developed state.



A saddened Mr. Ecevit leaves the presidential palace after signing.

Demirel may try to form Cabinet

BY METIN MUNIR IN ANKARA

MR. SULEYMAN DEMIREL, leader of Turkey's Justice Party, is expected to be asked by President Fahri Koruturk today to form a new Government, following the election reverses suffered at the weekend by Mr. Bulent Ecevit's ruling Republican People's Party.

Mr. Ecevit resigned as Prime Minister yesterday and said that Turkey could not afford a prolonged Government crisis because of its critical economic and law and order situations.

Mr. Demirel could form a right-wing coalition by obtaining the co-operation of parties to the right of his Justice Party which would give him control of 227 of the 450 seats in the National Assembly. He is believed to be reluctant to enter such a coalition because of its patchwork nature and because it would rest on a slim majority. Nevertheless he is expected to make an attempt to form a Government.

Mr. Ecevit, whose party is still the largest single group in the assembly, has indicated that, at this point, he is not interested in attempting to put together a new Administration. His party lost five National Assembly bye-elections and won only 12 of 50 Senate seats involved in mid-term polling at the weekend.

Mr. Ecevit repeated yesterday that his party lost votes because the Government had been forced to take unpopular measures to deal with the economy which, he said, was in the worst situation of any in the world when he took over 21 months ago.

He gave an undertaking that his social democratic grouping would not pursue a disruptive policy. "It will do everything to prevent the country from relapsing into a Government crisis."

Capitalism's problems rising—Soviet expert

BY LESLIE COLITT IN BERLIN

OVER THE next 20 years, the "developed capitalist countries" can be expected to more than double their gross national product over last year's level and expand their industrial production 2.5 times, Mr. Nikolai Inosemzev, a leading Soviet specialist on Western economies, forecasts.

Writing in the influential Communist journal, Problems of Peace and Socialism, published in Czechoslovakia, Mr. Inosemzev, director of the Institute for World Economics

in Moscow, says while his forecast indicates "much lower growth" than in the 1960s and 70s, it would still be "considerable."

The Communist countries "must not ignore this" in their own development plans, and in evaluating the "outlook for competition between the two world systems," he adds.

But the development of Western industrial economies will be slowed by a "high rate of inflation, chronic unemployment, a worsening of social

conflicts, structural crises and increasing foreign trade contradictions," he notes.

In carrying out the "scientific-technical revolution under capitalism," difficulties will increase and contradictions will deepen.

This "does not at all mean" that in the coming years or decades "we will witness a standstill in the development of the productive forces of capitalism." It would be a "mistake to underestimate possibilities of present-day capi-

talism."

Production in the West will be automated by the perfection of data processors, mass expansion of micro-electronics and widespread use of robots. The revolution in biology will permit a "far greater effectiveness in food production."

The "law of unequal development under capitalism" will remain fully in effect. This will cause Western Europe's industrial production by the year 2000 to attain about 120 per cent of the U.S. level,

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Strike called over Fiat sackings

BY RUPERT CORNWELL IN ROME

ITALY'S 1.5m engineering workers will strike a two-hour national strike next Tuesday in protest at Fiat's decision to dismiss 61 employees alleged to be responsible for acts of violence at the car manufacturers' Turin plant.

The outcome represents, if anything, a victory for moderates over an extremist fringe who wanted to press for a half-day general strike.

The company yesterday stood firmly by its decision, sending out the first dismissal notices,

Fiat is leaning heavily on the uncertainty of the unions themselves, torn between their past condemnations of violence, and the continuing erosion by militants of union authority over rank-and-file.

Labour unrest, the biggest single threat to the Christian-Democrat-led Government of Sig. Francesco Cossiga, is continuing with transport severely disrupted by strikes and air-traffic controllers planning industrial action.

Local election results in a number of Italian communes have underlined the significant recent decline in support for the Italian Communist Party.

The most significant conclusion of the polls which embraced only 350,000 voters (less than 1 per cent of the electorate) but which prompted the involvement of national political leaders, has been the drop in backing for the Communists, after their substantial fall in the June 3 General Election.

In the areas which voted, including the north-eastern industrial town of Pordenone, the PCI's share of the poll was just 24.7 per cent against 37.6 per cent in June.

The Christian Democrats fractionally improved their share of the vote of just over 40 per cent, while the Socialists, Social Democrats and Liberals all increased their strength.

NORWEGIAN authorities have fined Phillips Petroleum and three of its employees in connection with an oil slick fire 1 1/2 year in the Tor Field, a satellite of the Ekofisk Field, where the company is operator.

A police investigation claims the fire was caused by improper work routines.

Phillips has been fined Nkr 500,000 (£47,000), and its Ekofisk offshore manager Nkr 11,000 (£1,030) while the superintendent of outlying platforms and the Tor platform supervisor have been fined Nkr 9,000 (£840) each.

The fines are the first Norway has imposed on individuals after an offshore accident.

Norway fines Phillips for oil field fire

By Fay Gjester in Oslo

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OVERSEAS NEWS

Iraq warns Iran on Gulf ambitions

BY JAMES BUCHAN IN RIYADH

IRAQ gave a warning yesterday that it was ready to send troops to protect the sovereignty of Bahrain and Kuwait. The warning came as Foreign Ministers of the Arab states of the Gulf met to discuss their fears about the security of the region.

Mr. Taher Tewfiq, a member of the Iraq revolutionary command council and Minister of Industry, said in a Saudi newspaper that Iraq's religious leaders headed by the Ayatollah Khomeini were "playing with fire."

Mr. Tewfiq was in Jeddah as a special envoy of President Saddam Hussein of Iraq, although Iraq is not represented at the Foreign Ministers' meeting in Taif, the Saudi mountain resort and summer capital. The meeting, which was not announced in advance, was called apparently at the request of Saudi Arabia and Bahrain to discuss the recent disturbances in the Shi'ite Moslem community of Bahrain. All the states of the Lower Gulf are attending.

Saudi Arabia, in particular, is concerned that Iranian religious leaders may seek to exploit Shi'ites, who make up a majority of Bahrain's population, or even to renew Iran's historical claim to the island. Kuwait also has a restive Shi'ite population and there is a small community in Saudi Arabia's eastern province.

There were reports at the end of last month that Saudi Arabia had despatched troops to Bahrain at a time when Iran was carrying out naval exercises of the island. Saudi officials denied the reports, although diplomats point out that the Saudis and Bahrain have enjoyed closer military links since the crisis in Iran last autumn.

The question of Bahraini security was also raised at meetings in Riyadh between Saudi leaders and Mr. Harold Brown, the U.S. Secretary of Defence.

During a visit to Saudi Arabia earlier this month, Crown Prince Faid is understood to have made a firm commitment of protection for the island. Since then, the kingdom has sent a message to the Government in Tehran. The Iranian Ambassador in Jeddah responded confirming his Government's commitment to the independence of other Gulf states. But Saudi Arabia has no channel for contact with Iran's religious leaders in Qom, diplomats say.

Although Saudi Arabia has not been enthusiastic about recent proposals for a Gulf security pact, it has bilateral agreements with Iraq, Bahrain and Qatar. A conference in Muscat in 1975 to discuss a general pact foundered because of Kuwaiti suspicions of Iraq, but at the very least the Taif meeting is expected to see a new airing of the proposal.

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Five killed in port clashes

TEHRAN—Rioting erupted in the Caspian Sea port of Bandar Anzali yesterday and naval units were ordered in to break up clashes between townspeople and Revolutionary Guards. Five people died and 24 were wounded in two days of clashes, following a demonstration by local fishermen, the agency added. The rioting began when crowds surrounded the local police headquarters.

In Tebran, National Iranian Oil Company officials said Iran would continue to impose a 21 cent surcharge on each barrel of oil it exports. This follows its decision to raise prices by about 11 per cent.

The surcharge had been imposed last August when most suppliers cut the period of credit extended to consumers from 60 to 30 days.

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Japanese face oil shortage this winter

BY CHARLES SMITH, IN TOKYO

JAPAN seems almost certain to face an oil shortage during the second half of this financial year, after successfully importing its full requirements for the first half.

Oil imports during the six months ending next March 31, when the fiscal year ends, would have to reach 824m barrels to satisfy estimated demand but may actually fall short of 880m barrels. In the first half of the year, Japan appears to have imported slightly more than 830m barrels. This was enough to satisfy demand and to add one or two days' supply to privately-held stockpiles.

Oil consumption in Japan rises sharply in the winter months, hence the difference between official estimates for requirements in the first and second halves of the fiscal year.

As far as supplies are concerned, the Ministry of International Trade and Industry claims not to have any clear picture of the situation, even during the current three months.

An estimate that Japan might be able to obtain 880m barrels in the period up to next March is, however, being attributed to the Ministry by the Japanese Press. Private estimates by the oil industry fall well short of this figure.

If oil imports do reach the Ministry estimate of 880m barrels and if consumption runs at the expected level of 934m barrels, the oil stockpile, which Japan has been laboriously accumulating during the past few years, will have to be reduced to fill the gap. The privately held stockpile is at present estimated at 83 days' supply but the Government holds another seven days' supply in tankers moored in territorial waters.

A modest reduction in the stockpile would not matter but a reduction to less than 70 days could be dangerous.

Japanese oil refineries are thought to need at least 45 days' worth of supplies to maintain normal operations. In the case of some companies, over 60 days is regarded as the minimum operating level.

One of the major uncertainties affecting the outlook for Japan's oil supplies is the future of "third party" contracts under which the international majors supply oil to independent refiners.

The majors have already cut back supplies under these contracts to about half their original levels but some 15 per cent of oil imports are still covered by third party arrangements. Further cuts in the availability of this type of oil are widely expected.

Fears about the dwindling availability of third party oil have been partly compensated for by Japan's success in recent months increasing its intake of oil under direct deals with producers. Mexico will begin to ship 100,000 barrels a day from next January and there appears to be a good chance that Iran will raise its shipments from 400,000 b/d to 600,000 b/d. Such shipments may not make up for shortfalls from other sources however.

IRAN'S OVERSEAS OPPOSITION

Men who want to oust Khomeini

BY ANDREW WHITLEY IN PARIS

THE FRENCH Government is discreetly turning a blind eye to the way in which Paris is becoming the centre of the Iranian opposition in exile.

Queries from Iranian Government officials, such as Dr. Ibrahim Yazdi, the Foreign Minister, when he stopped briefly in the French capital last week are believed to have met the bland reply that France is doing no more or less than it did for the Iranian religious leader, Ayatollah Khomeini, when he masterminded the last stages of the anti-Shah movement from Paris last winter.

In opposition two prominent figures have emerged to champion the nationalist and the royalist hopes that the Islamic Republic is rapidly sinking into a stagnation of its own making, from which state it will be rescued by themselves.

The man who has made all the running so far is Dr. Shapour Bakhtiar, Prime Minister 36 days up to the February 11 uprising in Tehran. Now based in Paris, protected by the French secret service, his campaign to bring down "that madman," as he describes Khomeini, is moving into higher gear.

Across the Seine, from the fashionable quarters of the Avenue Hoche a rival is also gathering support. Dr. Ehsanang Nahavandi, 48, was a long-serving Minister in the Shah's Cabinets. Close to the former Emperor he was regarded as the Court's liberal intellectual.

The two men do not trust each other. Jostling for position, for the support of the Iranian expatriate community—perhaps as many as 100,000 people at any one time—and for the attention of the Western powers, both are aiming at capturing a broad cross-section of opinion.

This week Dr. Bakhtiar will open a full-time Paris headquarters, headed by one of his former Cabinet ministers, to

co-ordinate the work of the groups he says are flocking to the United States and Europe. Regular contact is also maintained with sympathisers within Iran: notably Ayatollah Shariat-Madari, the dissident religious leader, the Kurdish rebels and fanatics and to guide the country to the dream of a constitutional monarchy. In retrospect, as the full Islamic vision becomes clear, Bakhtiar's supporters claim that his old constituency within the National Front—historically an important middle of the road grouping—is

swinging round behind him again.

Neither Dr. Bakhtiar nor Dr. Nahavandi are sanguine about a quick victory over the clergy and their armed supporters in Iran, though both see the internal situation deteriorating rapidly to their advantage. "It's too early to talk about the Shah's return," the former court intellectual said, "but maybe in three months time."

The enigma of the Shah's intention and, correspondingly, what position to adopt towards the return of the monarchy is a central issue. Dr. Nahavandi is in no doubt, arguing that in his opinion a constitutional monarchy is a vital unifying element

for the Iranian hotchpotch.

Dr. Bakhtiar has deliberately kept his position ambiguous, fearing that the United States might be rethinking its cavalier abandonment of the former monarch, living in comfortable and relatively obscure exile in Mexico. But he and his aides are aware that this vacillation is highly damaging to his political prospects and he is coming under pressure to declare openly his natural republican views.

The U.S., meanwhile, is carefully monitoring the progress and prospects of this dilemma. French speaking politicians, informal contacts are understood to have been made at regular intervals. So far even Dr. Bakhtiar's most ardent supporters admit candidly he does not have more than a 20 per cent chance of regaining power, under present conditions, but they feel Ayatollah Khomeini is, of his own accord, daily improving their chances.

The most sensitive area is the source of funds for an organisation which is growing fast and beset to pay for cross-border smuggling operations, clandestine leaflets and taped messages (selling at £27 each on the black market), publicity in Europe, including a newspaper to be published from London next month, and the Paris office and staff.

Dr. Bakhtiar says donations from private individuals are the main source, apart from his personal wealth. But allegations persist that he is also being helped by foreign powers or even by the Shah's twin sister, Princess Ashraf. The last claim Dr. Bakhtiar dismisses as ridiculous, but there are also suggestions that Israel and South Africa—cut off from their most important source of oil by the revolution—would be glad to see him back in Tehran.



Dr. Bakhtiar makes a point at a Press conference

—potentially most important of all—disaffected army officers.

From this base the former Iranian Prime Minister aims to establish a "triangle of support," linking secular nationalists, Shariat-Madari and his important Turkish-speaking community, and the army. Somewhat surprisingly he sees most work to be done in winning over the middle class—nationalists of his own kind—only 50 per cent of whom are said to be in his favour.

The reason for this lies in the split in the old anti-Shah movement which Bakhtiar provoked last January when he accepted the job of transitional Prime Minister, to hold off Khomeini and the Moslem

swinging round behind him again.

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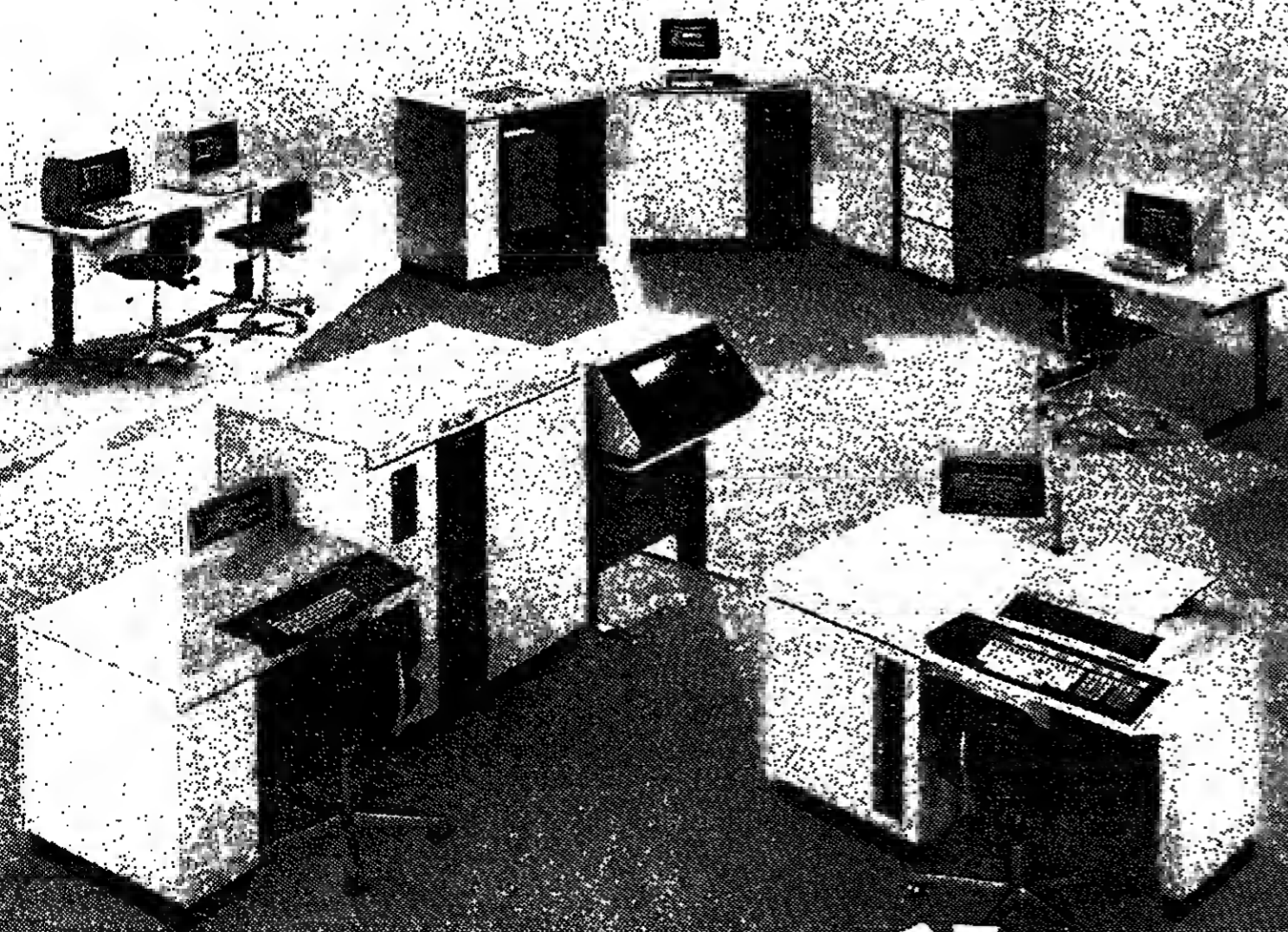
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Prison for Chinese dissident

By John Hoffmann in Peking

CHINA'S MOST celebrated dissident intellectual, Wei Jingsheng, was jailed today for 15 years. Wei, aged 29, formerly the editor of the underground newspaper, Explorations, was found guilty of counter-revolutionary crimes and of having supplied military intelligence to a foreigner.

About 700 selected spectators watched the day-long trial in a Peking court. One said later that Wei received the sentence impressively, although a former associate of the jailed man said he was shocked at its severity.

Wei was arrested in March, several days after he was alleged to have passed information to a foreign journalist about China's military strength, its commanding officers and details of casualties during the border war with Vietnam.

The indictment against Wei also accused him of gross violations of the constitution by writing and publishing articles critical of the Chinese Communist Party leadership and the socialist system.

Explorations flourished during the period known as the "Peking Spring," from December 1978 to March this year. It was the voice of many campaigners for democratic freedoms and civil liberties.

Some of its most critical articles labelled the Communist Party leadership as "disguised feudal monarchy" and called on the people to seize power from the "overlords."

Rhodesian whites against land plan

BY TONY HAWKINS IN SALISBURY

A SPOKESMAN for Zimbabwe Rhodesia's 5,300 white farmers said yesterday that Bishop Abel Muzorewa could not afford to make any concessions to Patriotic Front demands on the expropriation of white farming land.

Mr. David Spain, vice president of the Commercial Farmers Union, said that if the Front's plans were put into effect, the country, which was a net exporter of food at present, would not be able to feed itself within 18 months.

White farmers are unenthusiastic about plans for a land fund to buy out farmers so that their land could be redistributed to black farmers, tribesmen and returning guerrillas. As one farmer put it: "What we need is not an incentive for the white farmers to go but a disincentive."

The white farmers employ some 350,000 black farm workers which means that with their families some 2m people would have their lives disrupted if the white farmers were to be bought out. A significant proportion of the farm labourers and their families could probably be resettled on what was formerly white land, but agricultural experts believe that such a programme would be little short of disastrous. They point out that agriculture accounts for about half the country's annual foreign exchange earnings (about £200m), 34 per cent of total employment and just under one fifth of gross domestic

product.)

The industry includes four main types of farming. At one extreme are the corporate-owned major estates and cattle ranches; then there are the 5,300 white farmers, who with the estates account for 83 per cent of gross farm output. The remaining 17 per cent comes from the two categories of black farmers—the 8,500 commercial African farmers and 750,000 tribal cultivators.

Michael Holman adds: The Patriotic Front leaders argue that the compensation provision made in Britain's independence constitution could make any substantial land reform programme prohibitively expensive.

Pressure on over-crowded tribal trust lands holding nearly three-quarters of the 6.5m black population, can only be relieved, they say, by massive resettlement of under-utilised white land.

In a proposed scheme for land resettlement published by the Rhodesian Government in January this year it was argued that 4m hectares of under-utilised land was available in the European area. The cost of acquiring this at 1979 prices would be approximately £55m, but would only cover the resettlement of 22,000 black farmers.

Some study calculates that some 75 per cent of existing white occupied land would be needed to resettle blacks, and acquisition under current prices would require £480m.

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AMERICAN NEWS

Output figures create optimism

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

INDUSTRIAL production in the U.S. rose by an estimated 0.5 per cent last month, further evidence that the economy performed much better than expected in the third quarter. In issuing the figures, the Federal Reserve noted that the September increase largely reflected a surge in car production. This brief boom is now over.

But the Fed also reported that output of consumer appliances was up in September compared with the depressed levels of August (when the industrial production index fell by 0.9 per cent) while demand for business equipment remained strong.

Mr. G. William Miller, Treasury Secretary, felt sufficiently emboldened by the latest statistics to tell a Congressional committee yesterday that the economic recession should be no more than "moderate."

"There are few signs," he said, "that we are facing a deep downturn of the 1973-75 type and with economic policies



Mr. G. William Miller

focused on curbing inflationary expectations, the outlook continues to indicate a moderate recession."

In his evidence, principally devoted to explaining how the Administration proposed to assist those regions of the U.S. facing the greatest economic

hardships, Mr. Miller made no mention of the recent build-up in inventories and their probable downward adjustment in the months to come.

On Monday, Mr. Paul Volcker, Federal Reserve chairman, acknowledged that significant inventory adjustment would have an impact on economic activity, specifically industrial output, in the future, though he refused even to characterize the present economic state as recessionary.

Mr. Miller again strongly endorsed the Fed's adoption of a stringent new monetary regime as enabling the country "to get a better handle on inflation, the dominant economic problem of our time."

The Administration's proposals for counter-cyclical aid to those parts of the nation in economic difficulties has already passed the Senate but has been held up by a House committee.

The Treasury Secretary predicted that the most hard-hit areas would be in the indus-

trial North-East and the middle Atlantic states, while the mountain states could expect little retardation in the growth of employment, with the rest of the country experiencing only marginal declines.

One important element of the two-part package would only take effect if the national unemployment rate rose to 6.5 per cent (at present, it is 5.8 per cent).

Mr. Miller said that the recent strength of the economy now raised a doubt over the mid-year economic forecast that unemployment would hit 6.5 per cent by the end of this year.

Under the Bill that has passed the Senate, the 6.5 per cent trigger would result in a disbursement of \$130m per quarter to the most hard-hit areas, with an increment of \$30m for each one-tenth of a percentage point by which unemployment exceeds 6.5 per cent.

Mr. Miller strongly argued that this programme was both socially necessary and non-inflationary.



Mexicans put cone on blowout

By William Chislett in Mexico City

PEMEX, the Mexican state oil monopoly, appears to be entering the final stages of controlling the world's worst oil blowout.

It has finally installed a 310-tonne steel cone over the Ixtoc well, in the Bay of Campeche. It is now installing equipment which will enable the oil flow to be directed into a tanker, instead of pouring into the Gulf of Mexico.

However, the flow cannot be controlled fully until two "directional" wells are finished. Pemex believes this could be in two weeks.

Over 2.4m barrels have poured into the Gulf, and the cost in lost oil and the rescue operation is estimated at over \$150m. Attempts to install the cone were made last month, but choppy water damaged it.

Moderates take over in El Salvador

SAN SALVADOR—Moderate military leaders who ousted Gen. Carlos Humberto Romero's right-wing regime announced yesterday they had recessed Congress and planned to set up a junta of two officers and three civilians.

A military spokesman said the single-house legislature "has been dissolved."

Gen. Romero's National Conciliation Party held 59 of the 54 seats, and another pro-Romero Party, Partido Popular Salvadoreño, the other four.

The new Government intends to put an end to violence and corruption, guarantee human rights and work towards a more equal distribution of wealth, according to a statement yesterday. Agencies

Carter and Lance cleared of diverting bank loans

BY OUR U.S. EDITOR

PRESIDENT CARTER and Mr. Bert Lance, his former budget director, have been completely cleared of charges of financial irregularities in the relationship between the Carter family peanut business and Mr. Lance's National Bank of Georgia.

Mr. Paul Curran, the special counsel appointed earlier this year to investigate allegations that bank loans to the family business had been improperly diverted to finance the Carter election campaign in 1978, reported yesterday that nobody had done anything wrong.

In a preface to an inch-thick report on the peanut warehouse, Mr. Curran, a New York lawyer and Republican, stated: "There is no evidence that Jimmy

Carter committed any crimes. Furthermore, my overall conclusion... is that, based on all the evidence and applicable law, no indictment can or should be brought against anyone. None will be filed."

"There was, Mr. Curran said, "no room for doubt" that money had not been diverted to the campaign chest.

"Every nickel and every penny have been traced into and out of the warehouse and no funds were unlawfully diverted in either direction."

On the second issue, concerning the precise financial relationship between the warehouse and the National Bank of Georgia, Mr. Curran said that answer was "a clear no" to the

suggestion that criminal charges should be filed against anybody. Mr. Curran explained that he had interviewed the President for four hours during the investigation last month, and that the President "produced all documents sought—and more."

Mr. Carter had totally cooperated in the inquiry, the special counsel added.

While Mr. Carter can take obvious satisfaction that his integrity is not being impugned and his reputation for honesty is intact, there remains the probability of political embarrassment for him when more wide-ranging charges against Mr. Lance concerning his conduct as a banker finally come to court.

Mid-West pipeline recommended

BY DAVID LASCELLES IN NEW YORK

THE U.S. is gearing up for another attempt to build a pipeline to ship Alaskan oil from the Pacific coast to the central and eastern U.S.

After Sohio's ill-fated proposal earlier this year to build a pipeline from Los Angeles to Texas, the Interior Department has recommended to the Administration an alternative route, from the Seattle area in Washington state to Minnesota in the Mid-West.

The 1,500-mile "Northern Tier" pipeline would carry about 1m barrels of oil a day and cost about \$1.2bn. However, it is also expected to encounter stiff environmental opposition of the kind which stalled and

eventually scuppered Sohio's plan. This is because the terminal would be at Port Angeles, at the mouth of Puget Sound, an important fishing and recreational area, and would run inland through a mountainous region.

The pipeline would be built by a consortium including U.S. Steel, Burlington Northern, Westinghouse Electric and several medium-sized oil companies.

The Interior Department selected this route in preference to three others which would go partially through Canada.

The Interior Department's recommendation now goes be-

fore President Carter, who has 90 days to approve or reject it. Victor Mackie adds from Ottawa: Foothills Pipeline of Calgary has temporarily withdrawn its proposal to build a pipeline to carry Alaskan oil to the U.S. Mid-West.

Mr. Edward Phillips, president of Foothills, said his company was stepping aside to allow the National Energy Board to give a quiet hearing to a rival proposal by Trans-Mountain Pipe Line of Vancouver, which would lead to increased oil tanker traffic along the British Columbia coast. The federal and British Columbia governments both oppose increased tanker traffic.

Airline to modify DC-10 fleet

By Stewart Fleming in New York

AMERICAN AIRLINES, one of whose DC-10 jets crashed earlier this year in Chicago, with the loss of 273 lives, has told the U.S. Government it is "committed to extensive structural and system changes" on the 30 other DC-10s it owns.

In a submission to the National Transportation Safety Board, it also alleges that the rear bulkhead of the Pylon which tore off the aircraft had been "improperly manufactured and assembled."

The American airline submission conflicts directly with an earlier filing by McDonnell Douglas, the maker of the DC-10, which alleged that the fundamental cause of the crash was the maintenance procedure which the airline had used.

McDonnell-Douglas says in its submission that the type of apparatus and maintenance crew training were prime factors in causing the engine on the aircraft to tear away from the wing.

American Airlines said yesterday that it could not disclose precisely what changes were planned to the design of the engine mounting area.

TEN GOVERNORS MEET

Western U.S. states unite

BY ANTHONY POLSKY, RECENTLY IN VAIL, COLORADO

TEN RESOURCE-RICH and under-populated western states of the U.S. are acting together to resist the heedless exploitation of their natural reserves to ease the country's economic problems.

The ten—Montana, Utah, Colorado, Alaska, Arizona, Nebraska, New Mexico, North Dakota, South Dakota and Wyoming—formed a united front, the Western Governors' Policy Office (WESTPO), in September 1977. A recent meeting at the ski resort of Vail in the Rockies showed that it is becoming an increasingly influential regional coalition.

WESTPO is intended to deal not only with the politicians and bureaucrats in Washington but also with potential overseas customers for the region's vast agricultural and mineral resources.

Including Alaska, the 10 WESTPO states cover almost 1.8m square miles, 44 per cent of the U.S. land area. Their combined population of only 12.5m constitutes just 5.8 per cent of the U.S. population. According to studies, the 10-state region has a current gross national product of \$125bn,

which is equivalent to Japan's entire GNP in 1960. These states alone rank as the 10th largest oil producers in the world, without even including the production from California, Texas and Oklahoma—three states not belonging to WESTPO.

Speaking at the Vail conference, Mr. Robert Panero, the consultant who worked on the figures, said knowledge of the region's resources was "primitive." Mr. Panero claimed the region probably had about 800 trillion (million million) cubic feet of natural gas reserves, roughly four times the total Saudi Arabian reserves, and more than 90 per cent greater than existing estimates published by the states themselves or federal government.

At the forefront of organising WESTPO has been Governor Thomas Judge of Montana, a 45-year-old Democrat. In an interview with the Financial Times, Governor Judge said: "It is unusual and unique to even have ten governors in bipartisan agreement. Circumstances have brought us together. We are making joint

specific recommendations to President Carter on energy development, water policy and other matters of vital interest to this region. We have waited seven years in vain for a national energy policy. I have more power to deal with energy problems than the President of the United States, and other governors in WESTPO enjoy similar powers."

Disillusioned by the bureaucratic in-fighting and ineptitude which too frequently acts as a disincentive to vitally needed U.S. export expansion, WESTPO is planning to form a regional export trading company, along Japanese lines, to market its resources.

All this independent regional activity has not gone unnoticed in Washington. Mr. Thibaud de Saint Phalle, who has recently been appointed a governor of the Export-Import Bank in Washington, was at the Vail conference for the specific purpose of expressing his institution's support of WESTPO's export efforts. "The more you can decentralise problems such as energy and export policy, the more efficiently they can be resolved," he said.

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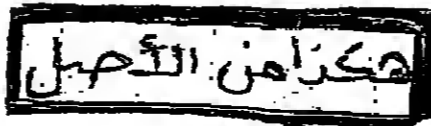
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The Lancia Gamma Berlina. £7,949.66*

Small table with multiple columns and rows of text, likely a financial or market data table, partially obscured by the page edge.

WORLD TRADE NEWS

Guyana seeks fund to buy raw materials

By Mohammed Hamaludin in Georgetown

HEARTENED by initial successes at trade fairs in London and neighbouring Surinam, Guyanese manufacturers have approached their Government with the idea of establishing a special revolving foreign exchange fund to finance purchases of raw materials from abroad to service export orders.

Mr. Francis Gohb, president of the Guyana Manufacturers Association (GMA), has explained that there is World Bank interest in such a scheme. The bank may be disposed towards putting up £2m, with a similar amount likely to come from U.S. banks, he said.

The idea is to be discussed more fully between the manufacturers and the state planning commission, with the GMA about to begin a survey of the export earnings potential of 30 selected companies over a three-year period.

Guyanese participation in the Impo-Expo fair in London earlier this year brought in orders worth £2m.

Similar results have accompanied participation in the Surinam trade fair last month in Paramaribo.

The main goods being promoted are wooden furniture, garments, liquor, industrial equipment and processed foods.

Meanwhile, the Soviet Union recently opened its first-ever trade fair in the English-speaking Caribbean, which has featured mainly pictorial displays of some 100 Soviet products, especially tractors, agricultural equipment, civil aircraft, books, mining equipment, watches, movie cameras, radios, testing and measuring equipment, and optical instruments.

The Soviets bought about £1m worth of Guyanese alumina in 1977-78.

Prospects for stepping up trade with East Germany will be examined next month when the Joint Guyana-German Democratic Mixed Commission holds its fourth meeting, in East Berlin.

Trade between the East Germans and Guyana currently is running at about £2.5m annually with the Guyanese buying capital and consumer goods, and the Germans buying bauxite, rice, sugar, rum and garments.

China plans to build big aluminium refining plant

TOKYO—China is planning to build one of the world's largest aluminium-refining plants as part of its programme to modernise its industry, AP-DJ reports.

A Ministry of International Trade and Industry official said Chinese authorities disclosed the plan to a Japanese Government mission visiting China to assess its modernisation projects before deciding whether to provide a loan.

The plant, capable of refining about 600,000 tons of aluminium a year, will be built in Kwangsi at a cost of some ¥20bn (£700m). China is not seeking Japanese financial assistance in the construction of the plant, but the Japanese Government is asking China to provide details since the plant, when completed, will have a considerable impact on the Japanese aluminium-refining industry.

Japanese Government officials said the plant will be the second largest after that in the Soviet Union, which they said is capable of processing 800,000 tons a year. Japan's largest facility, owned by Mitsubishi

Light Metal Industries, only processes only about 180,000 tons a year.

Meanwhile, Kanematsu-Gosho, a major trading concern in Japan, and Machida Manufacturing, a medical instrument maker, have jointly signed a contract to

export technology to manufacture medical equipment in China. Under the ¥200m contract, the companies will provide China with expertise to produce endoscopes in Shanghai and also export production equipment.

China has decided to keep the Canton Trade Fair facilities

open throughout the year in the form of a permanent trade centre, Reuter reports from Hong Kong.

The fair has been held twice a year in spring and autumn, each for a month's run, since it was started in 1956. The latest fair was opened Monday.

Chinese authorities have decided to keep the market and exhibition halls open year-round for displays by foreign companies and Chinese foreign trade companies. The two spring and autumn sessions of the fair would continue.

Philip Bevering adds: A Hong Kong consortium is to build flats in Canton some of which will be sold to overseas Chinese. The consortium, led by Hien Lee Engineering and comprising a number of private investors, will spend HK\$50m (23.3m) to construct the first phase of the scheme, consisting of 15 blocks of eight stories. It is aimed to sell the flats for around HK\$200 per square foot, or less than half what similar flats sell for in Hong Kong. Five of the blocks will be set aside for investors from Hong Kong and Macau.

Talks on shipping frozen natural gas

By Robert Gibbens in Montreal

A KEY contract in Canada's Arctic natural gas development programme in which natural gas would be frozen and shipped south in icebreaking carriers is now under negotiation between Petro-Canada and the Southern Natural Gas Company of the U.S.

Petro-Canada, the state oil company and project leader with three Canadian shipping companies as partners, is proposing the sale of 225m cubic feet a day of natural gas to the Alabama utility beginning in 1985.

The proposed deal is being supported by the Canadian Government because of the prospect it holds for getting an early financial return from the C\$500m to C\$600m ploughed into the exploration project over the past 11 years. The project is centred on Melville Island in Canada's high Arctic.

While no details of price have been announced, Canadian mainland gas has been available to the U.S. at below Mexican prices.

GM hopes to fly car parts to Venezuela

BY ROBERT GIBBENS IN MONTREAL

GENERAL MOTORS Canada and its parent company in Detroit are negotiating with several international airlines for regular air cargo movement of key car parts from their North American plants to General Motors of Venezuela.

The parts are needed for the company's two Venezuelan assembly plants located in the Caracas area. The parts concerned are transmission and other specialised components suitable for air movement.

The overall plan is being handled by GM's international logistics centre based in Detroit. However, the Canadian subsidiary is directly involved because many of the parts would originate in Canada.

Also, all GM North American KDV (knocked down vehicle) exports are handled by GM Canada. Components are sent from North American plants to Oshawa, near Toronto, for crating and labelling. Some work is also contracted out to a local company.

GM makes a small range of North American type cars in Venezuela with varying degrees

of local content and modification for local conditions.

However, the world's largest car manufacturer is re-designing its North American range to meet 1985 U.S. pollution and mileage standard.

Our foreign staff adds: General Motors' proposed air freight operation could involve shipments of 9,000 tonnes a month to Venezuela.

It would mark the first time the company had used air freight as a major means of supplying its plants.

CAVN, the Venezuelan shipping line, is currently believed to carry some 2,500 tonnes of KDV vehicles a month from an eastern Canadian port, and another 6,000 tonnes of Ford vehicles from Florida to Venezuela, says report in the current issue of International Freighting Weekly, a UK trade publication.

It says that GM's production in Venezuela is expected to rise to 60,000-70,000 vehicles next year, up from the current level of 50,000, to meet the large local demand for cars.

Pakistan buys more tea from Bangladesh

By Mervyn de Silva in Colombo

PAKISTAN is to buy at least 15 per cent of its tea imports in the final quarter of this year from Bangladesh.

The decision has caused some concern here because of the growth of Sri Lanka's tea exports to Pakistan since the Bangladesh war. Two years ago Pakistan dislodged Britain from its traditional position of Sri Lanka's number one buyer.

Pakistan earlier had moved to make Bangladesh its main supplier "as a matter of policy," but this was amended after protests from the Pakistani tea trade. It will now insist that license holders buy at least 15 per cent of their requirements from Bangladesh.

In the first six months of this year Sri Lanka sold Pakistan 13.7m kg of tea. Iraq was second largest market with 10.6m kg.

In favour of Bangladesh Sri Lanka will sell at least 25m kg by the year-end.

Hyundai to expand Europe operations

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

HYUNDAI MOTORS of South Korea will expand European operations next year by setting up distribution networks in Switzerland and Austria.

The group has been testing European markets since October, 1978, when it began selling its Pony model in Belgium. It then started in The Netherlands this year.

In the first 14 months in Belgium Hyundai is expected to sell 1,400 Ponies and 1,900 for the year in Holland.

In 1980 the aim is to import and sell 2,500 in Holland and 2,000 in Belgium.

So far most sales have been at the expense of Japanese manufacturers rather than European makes, according to Mr. Soo Chun Lee, managing director of Hyundai Europe.

The group has already opened 75 dealers in Holland and 70 in Belgium and these totals will grow to 100 and 80 respectively by the end of 1979.

Mr. Lee revealed during a dealers' conference here yesterday that Hyundai hopes to expand by moving into two new European countries each year, with Norway and Denmark on the list to follow Austria and Switzerland.

But much will depend on the ability of the factory in South Korea to build up production steadily from a low base.

Since production began in 1976 and 30,000 Ponies were produced, output has grown to 110,000 this year.

By 1985 output should reach 1m if the current plans are fulfilled.

The group hopes to continue exporting about 20 per cent of car output. Other main export countries include Greece, Saudi Arabia, Chile and Guatemala.

Next year the range of Ponies for Europe will be extended from only one four-door saloon to include a three-door hatchback and a five-door estate.

MORE OPPORTUNITIES WITH TRINIDAD AND TOBAGO

UK-Caribbean prospects improve

BY DAVID RENWICK IN PORT OF SPAIN

BRITISH MANUFACTURERS, whose exports to Trinidad and Tobago are slightly down for the first seven months of this year by comparison with 1978, should take heart from the fact that the recent government-to-government agreement between the two countries is likely to start presenting new trading opportunities soon.

The first fruits of the agreement, under which the British Government will nominate contractors for certain large construction projects and take general responsibility for ensuring the jobs are done properly and on time (though Trinidad and Tobago will pay all the bills), materialise shortly with the start of construction of two major prestige buildings in Port of Spain, a hall of justice and a financial complex.

The former is being built by Higgs and Hill and the latter by the Caribbean division of George Wimpey.

The Government-to-Government procedure was adopted by Trinidad and Tobago as a means of speeding up its physical development programme, which had fallen behind schedule. In effect it side-steps the open market tendering system for major projects. Such agreements have already been signed with Canada, Luxembourg, Sweden, France, West Germany and the Netherlands, as well as Britain.

The advantage to the foreign government is the assurance that one of its contractors will get a job commission which might not be the case if the project were open to international tender, while its exporters pick up a number of orders in connection with the execution of the contract.

In the case of the two prestige buildings, for example, openings will be offered for British suppliers of construction materials, such as cement,

bricks and blocks, iron and steel, metal goods, furniture, plumbing fixtures and so on.

Other large-scale projects to come under the Britain, Trinidad and Tobago agreement are multi-storey car parks, mass housing, low cost apartments, a national library complex, a new town, based on a British concept.

Mr. Guy Hart, commercial attaché at the British High Commission, is puzzled that British exports should be running behind so far this year.

The January-July, 1979 figure was £82.09m, while that for the same period last year was £84.07m, but suggests that the strength of sterling might be a factor, since British goods are more expensive in local currency terms than they were last year.

The Trinidad and Tobago dollar-sterling exchange rate declined from TT\$1.81 against

the pound in January this year to TT\$5.51 in June.

But he expects total sales for 1979 to top £100m for the second year running against £112m in 1978, and to achieve new records in 1980 when the construction work under the arrangements begins to get into

Mr. Hart points out that the construction-related goods are not the only ones with potential on the Trinidad and Tobago market. Equipment for the oil and continuous process industries, chemicals, machine shop and electrical equipment and, on the consumer side, whisky, soft drinks, drugs, biscuits, knitted fabrics, footwear, toys and plastic items, are all equally in demand.

Whether primed by the agreement between the two governments or not, interest in the Trinidad and Tobago market remains active, judging by the trade missions planned over the coming months.

Tongue-tied trade

NEARLY 40 per cent of British export directors and 60 per cent of export salesmen cannot speak any foreign language, says a survey published yesterday by the Royal Society for the Arts.

A total of 200 exporting concerns were questioned in the survey and only 60 per cent of them considered foreign languages a "considerable advantage" for their salesmen.

The companies put languages well down the list of factors contributing to export success, and 90 per cent seldom or never corresponded in foreign languages. But the survey found a link between linguistic ability and export success.

Swiss deficit

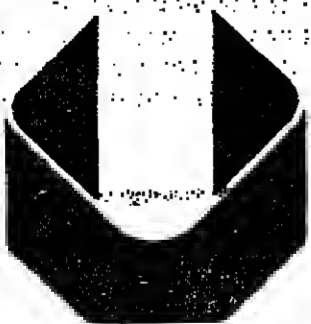
THE SWISS foreign-trade balance recorded a further large deficit in September, with imports exceeding exports for the month by Sfr 445.1m (£130m).

Imports for the month were 19.9 per cent above the level for the same time last year.

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UK NEWS

British share of find proves 40% bigger

BY RAY DAFTER, ENERGY EDITOR

A REVIEW of the Anglo-Norwegian Statfjord Field has shown that Britain's share of the vast oil and gas reserves is some 40 per cent bigger than originally estimated.

British and Norwegian energy ministers confirmed yesterday that the UK has a right to 140m barrels of crude oil more than previously thought. This increase is equivalent to the total amount of recoverable reserves

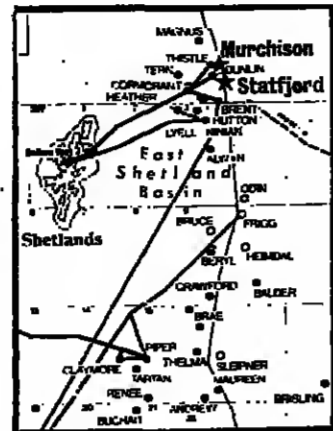
in some of the smaller commercial fields in the North Sea.

The UK partners in Statfjord—Conoco, Gulf and British National Oil Corporation—have been assigned a 15.9 per cent stake in the field's recoverable reserves, estimated at about 3bn barrels and 2.5 trillion (million million) cubic feet of gas. Their share was previously reckoned to be 11.2 per cent.

The revision, which follows a

prolonged study of the field's geology, means the UK consortium is entitled to 477m barrels (instead of 336m barrels) and 387bn cubic feet of gas (instead of 280bn cubic feet).

Companies in the Norwegian consortium are Mobil, Amerada Hess, Amoco, Conoco, Exxon, Saga, Shell, Texas Eastern and Statoil. The Norwegian state oil corporation, Statoil, has already pointed out that reserve estimates are continually being revised as new wells disclose more information about the



Oil companies give a winter warning

BY RAY DAFTER, ENERGY EDITOR

OIL COMPANIES warn that customers buying products such as petrol, home heating oil and fuel oil must be prepared for shortages and price rises this winter.

For although stock levels are adequate, at least as high as at this time last year, oil suppliers are concerned that an interruption in crude oil deliveries could create shortages in February or March.

The industry describes the UK oil supply position as being "on a knife-edge". Provided there are no unforeseen problems, the buffer of stocks containing 80 days' supply should be sufficient to ensure no cutbacks this winter.

Oil companies are, however, warning major customers and petrol retailers that the position could quickly change. Sudden problems could arise if a major producer, like Iran, reduced its output significantly, particularly if such action coincided with a cutback in exports by Saudi Arabia. The shutdown of production in one of the North Sea oil fields could have the same effect.

In spite of the Government's drive for greater energy conservation effort, oil industry sources indicate that fuel demand is still growing. Sales of all products other than petrol in the first eight months of this year were up 3.5 per cent compared with the same period last year. (This growth rate is reckoned to be nearer 2.5 per cent when adjustments are made for the harsh winter). Product demand is now running at 1.2 per cent higher than

at this time last year.

Petrol sales rose by some 2.5 per cent in the first eight months, despite a price increase of between 50 and 70 per cent. Petrol demand is now running at between 0.5 and 1 per cent higher than at this time last year—a rate expected to continue for the remainder of the year.

Although the industry does not expect to raise oil product prices further this year, there is concern that crude oil exporters may force their hand. It is pointed out that the supply and pricing position is changing almost daily. Refiners are wondering whether Libya and Iran have started a new and unexpected pricing spiral. Libya has raised its oil prices by nearly 12 per cent to \$26.77 a barrel, breaking the maximum level of \$22.50 set this summer by the Organisation of Petroleum Exporting Countries.

Iran has informed customers of increases ranging from some 7 to 14 per cent, although it is managing to keep its prices within the OPEC limit.

The oil industry had expected OPEC members to wait until the normal price fixing meeting in Venezuela in December before deciding on new pricing levels. It is generally thought that an increase of around 10 per cent might be adopted then. Companies concede, however, that the decision of Iran and Libya might trigger a wave of much earlier price adjustments.

If this happens to a significant extent, refiners are likely to be quick to respond with their price increases.

Tax rise opposed by travelling salesmen

BY LORNE BARLING

A CAMPAIGN to prevent implementation of Inland Revenue proposals to increase the tax paid by drivers of company cars is being mounted on behalf of travelling salesmen.

The Institute of Sales Management, with 18,000 members, is urging them all to write to Sir Geoffrey Howe, the Chancellor, opposing the proposals in a recent Inland Revenue consultative document.

The institute is calling for a clear distinction between employees using their company cars as "essential tool of their

trade" and those such as directors who get their cars as a perk.

The Inland Revenue has proposed a new scale of taxable amounts related to the size and value of company cars used exclusively by employees.

This would raise the taxable amount on a car of 1,300 cc or under valued at up to £5,000 from £190 to £594. In the 1,301 cc to 1,800 cc range the sum would rise to between £260 and £695, and over 1,800 cc from £380 to £1,044.

Mr. John Fenton, director-general of the institute, said

introduction of the new scale. He criticised the rule which halves an employee's personal tax liability if he exceeds 25,000 miles a year.

"At a time of energy shortages this is madness, since it only encourages people to do more mileage. This will become worse if the liability is increased."

The present system had already led to many companies offering incentives for employees to buy their own cars, and since 70 per cent of UK-made cars were bought by com-

panies, any change was likely to be bad for the motor manufacturing industry.

Later in its campaign the institute will ask what proposals the Inland Revenue has for taxing perks in some nationalised industries such as free coal for miners, free rail travel to and from work for British Rail staff and free flights for airline staff.

In the private sector it will question low-interest mortgages for bank and insurance company employees and discounts on cruises for employees of shipping groups.

Four airlines to be merged into Air UK

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AND Commonwealth Shipping Group is to amalgamate four of its scheduled airline companies into Air UK.

The constituents of the airline will be British Island Airways, Air Anglia (bought recently by B and C for about £2.75m), and two smaller airlines, also recently acquired, Air Westward and Air Wales.

Collectively, these airlines carry more than 1.5m passengers a year, have a fleet of 42 aircraft, including jets, and are expected to achieve a turnover of £50m in the coming year.

Air UK will employ 1,700, serve 23 airports in the UK and nine on the Continent.

Chairman of the new airline is Mr. Anthony Cayzer, of British and Commonwealth. Managing director is Mr. Peter Villa, at present managing director of British Island Airways.

Balance of payments deficit £2.5 bn after nine months

THE CURRENT account of the balance of payments was in deficit by £300m in the July-to-September period, giving a cumulative deficit of £2.5bn for the first nine months of this year as a whole. This compares with a surplus of about £1bn for the whole of 1978.

Although there has been a substantial reduction in the deficit compared with the first few months of this year, the pattern of trade, particularly for exports, has been markedly affected by the impact of the road haulage dispute.

Some of the improvement between the first and second quarters is because goods which should have been exported in the first quarter were held up for subsequent shipment.

The terms of trade—the ratio of export to import prices—were little changed in the third quarter as both export and import unit values rose by 3 per cent.

Fuel prices of both categories again rose strongly, while import prices for finished manufactured goods over the past three months were much the same as in the previous quarter.

Applications

Air UK and its members are also applying for nine of the UK internal routes which British Airways is giving up.

The total fleet of Air UK will comprise four One-Eleven twin-engined jets, two Fokker F-27 Fellowship twin-engined jets, 20 Handley Page Herald turbo-prop airliners, 10 Fokker F-27 Friendship turbo-prop and six Brazilian Embraer twin-engined Bandeirante commuter-airliners.

Mr. Villa said yesterday that he believed the potential for the airline to be enormous.

"Already many of the routes operated by Air Anglia and BIA have proved the ever-increasing regional demands for air services, both domestic and international."

Activities

The other aviation activities of British and Commonwealth, such as Bristow Helicopters, Airwork Services and Servisair, will remain outside Air UK.

Other directors of Air UK will be Mr. E. F. Bates as commercial director, Mr. B. P. Chapman as planning director, Mr. C. E. Smith as engineering director and Mr. J. C. J. Tye as finance director.

The full integration of the four airlines into Air UK will be completed in the New Year. Meanwhile, they will continue to fly under their present identities.

	Exports		Imports		Terms of trade		Oil balance
	£m seasonally adjusted		Volume seasonally adjusted 1975=100		*Unadjusted 1975=100	£m	
1977	32,148	33,892	118.9	107.3	100.8	-2,791	
1978	35,432	36,607	122.9	112.6	105.9	-2,015	
1977 1st	7,520	8,466	115.9	108.9	99.1	-781	
2nd	7,921	8,700	117.7	110.6	100.6	-414	
3rd	8,531	8,534	124.6	107.3	101.3	-590	
4th	8,176	8,192	117.3	102.4	102.4	-659	
1978 1st	8,408	9,004	119.4	113.5	105.7	-620	
2nd	8,753	8,926	122.2	109.7	104.9	-414	
3rd	9,051	9,418	124.8	114.9	106.1	-501	
4th	9,220	9,259	124.8	112.3	106.9	-480	
1979 Jan.	2,800	2,900	113.0	107.0	107.4	-62	
Feb.	2,600	2,300	101.0	117.0	108.1	-78	
Mar.	3,000	3,700	117.0	129.0	107.4	-97	
April	3,600	3,900	139.0	135.0	108.9	-114	
May	3,500	3,900	134.0	137.0	108.0	-54	
June	3,400	3,800	130.0	133.0	107.1	-42	
July	3,600	3,600	134.0	127.0	109.3	-41	
Aug.	3,600	3,700	132.0	130.0	108.2	-123	
Sept.	3,600	3,700	133.0	128.0	106.9	-9	

* Rounding to nearest £100m and whole number, ratio of export prices to import prices

Source: Department of Trade

Behind the 15th largest bank in the United States stands the largest multistate bank holding company in America.

	June 30	
	1979	1978
ASSETS		
Cash and due from banks	\$ 3,859,852	\$ 3,247,743
Time deposits, due from banks	920,935	1,119,915
Investment securities	4,048,428	3,500,491
Trading account securities	152,158	133,039
Funds sold	448,558	716,596
Loans	16,383,023	14,083,730
Less: Unearned income	287,145	226,477
Allowance for loan losses	198,597	147,694
Net loans	15,897,281	13,709,559
Lease financing	386,447	238,614
Bank premises and equipment	469,899	432,691
Customers' liability on acceptances	654,126	493,455
Other assets	497,732	373,464
Total assets	\$27,345,416	\$23,935,567
LIABILITIES		
Deposits:		
Demand	\$ 7,737,872	\$ 7,466,288
Savings	4,553,960	4,513,084
Other time	7,045,454	5,675,162
Foreign offices	2,188,943	2,119,295
Total deposits	21,526,199	19,773,829
Short term borrowings	2,891,507	1,676,328
Acceptances outstanding	665,686	493,548
Other liabilities	657,031	493,473
Notes, debentures and mortgages	459,471	483,276
Total liabilities	26,199,894	22,920,454
CAPITAL		
Stockholders' equity	1,145,522	1,015,113
Total liabilities and stockholders' equity	\$27,345,416	\$23,935,567

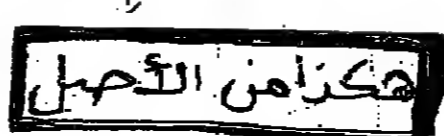
	June 30	
	1979	1978
ASSETS		
Cash and due from banks	\$ 2,108,892	\$ 1,784,059
Time deposits, due from banks	464,230	677,386
Investment securities	1,478,571	1,165,702
Trading account securities	133,360	127,942
Funds sold	119,112	483,472
Loans	8,143,535	7,005,726
Less: Unearned income	80,413	53,502
Allowance for loan losses	109,738	80,492
Net loans	7,953,384	6,871,732
Lease financing	373,121	229,237
Bank premises and equipment	164,592	154,349
Customers' liability on acceptances	432,394	319,347
Other assets	292,358	228,317
Total assets	\$13,517,014	\$12,041,543
LIABILITIES		
Deposits:		
Demand	\$ 3,550,421	\$ 3,416,800
Savings	1,771,982	1,786,765
Time	2,902,007	2,506,169
Foreign offices	2,068,392	2,076,953
Total deposits	10,292,802	9,786,687
Short term borrowings	1,777,019	973,396
Acceptances outstanding	433,954	319,440
Other liabilities	335,712	337,332
Notes, debentures and mortgages	193,207	194,579
Total liabilities	13,032,694	11,608,434
CAPITAL		
Stockholders' equity	484,320	433,109
Total liabilities and stockholders' equity	\$13,517,014	\$12,041,543

Western Bancorporation, with its 21 banks and their 817 domestic offices, is the largest multistate bank holding company in America. WBC operates in 11 western states, a prime growth area. It has achieved dramatic gains so far in 1979. Setting a new record for the 10th consecutive quarter, earnings were up for the first half 33.1% over the like period of 1978. The dividend was increased in June, for the fourth time in 27 months, to an annual rate of \$1.04 a share. Four affiliate banks—United California Bank, First National Bank of Oregon, First National Bank of Arizona and Pacific National Bank of Washington—operate 36 offices abroad.

United California Bank is Western Bancorporation's largest affiliate and is the fifth largest bank in California, the 15th nationwide. UCB serves the international community in 22 locations abroad, including an Edge Act subsidiary in New York and branches in Hong Kong, London, Manila, Nassau, Singapore, Taipei and Tokyo. Its network of representative offices covers Canada, South America, continental Europe, the Middle East and the Pacific Basin. UCB is the only bank with offices in all three U.S. energy capitals—Los Angeles, Denver and Houston. It serves its national and multinational customers through its U.S. Banking and Special Industries Divisions and serves the California market through its statewide network of 284 branches.

For further information and/or copies of Western Bancorporation's 1978 annual and latest quarterly reports, write, phone, or telex: WESTERN BANCORPORATION, 707 Wilshire Boulevard, Los Angeles, California 90017. Telephone: (213) 614-3001 Telex: 674421 Cable: WESTBANCOR / UNITED CALIFORNIA BANK, 36-39 Essex Street, London, WC2R 3AS, England. Telephone: (01) 220-0377 Telex: 21798 Cable: UCALBANK

WESTERN BANCORPORATION



UK NEWS

NEWS ANALYSIS—THE C.W.S.'s NEW CHIEF EXECUTIVE

Change and challenges for the Co-op movement

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT



SIR ARTHUR SUGDEN Standing down next year

THE MAN who succeeds Sir Arthur Sugden as chief executive of the Co-operative Wholesale Society...

And thirdly, there is the more philosophical but ever-present dilemma over how far the often conflicting aims of commercialism and co-operation can be reconciled.

It also supplies a third of the nation's milk, is second only to the National Coal Board in retail sales of coal, and is the country's largest undertaker.

The 204 individual retail societies have a combined turnover of £3.1bn, of which the largest is accounted for by the Co-operative Retail Services (over £400m) and the London Society (£715m).

The CWS alone accounts for sales of about £1.7bn—including its importing, manufacturing, wholesaling, banking, and insuring functions on behalf of individual societies.

The fact that only some two-thirds of societies' needs are provided by the CWS highlights the fact that some societies prefer to support outside wholesalers rather than their own operation.

The fact that only some two-thirds of societies' needs are provided by the CWS highlights the fact that some societies prefer to support outside wholesalers rather than their own operation.

The CWS cannot impose any central trading strategy on its retail societies. It must use gentle persuasion—which is not always heeded.

It is this lack of a central trading organisation for the co-op movement which many industry observers suggest is behind the co-op's trading performance of the co-op and threatens its ability to cope over the next decade.

Trading organisation for the co-op movement which many industry observers suggest is behind the co-op's trading performance of the co-op and threatens its ability to cope over the next decade.

The co-op's share of total retail sales, according to Department of Industry figures, has slipped back from 7.1 per cent three years ago to 6.8 per cent last year in food sales—which account for three-quarters of total co-op turnover—the

co-ops did particularly badly, only managing to increase sales by a tenth. This was substantially less than the 15 per cent growth achieved by the multiple food stores, and less than the 11.5 per cent average in the sector as a whole.

Sir Arthur Sugden, as president of the Co-op Union two years ago (he thus combined the top two jobs of the co-op movement for a year) made an impassioned plea for pragmatic planning structure to be set up to co-ordinate the movement's trading strategy.

Like so many other such pleas, this was warmly supported by delegates to the Co-op Congress that year—but subsequently became bogged down in the mass of bureaucratic committees that abound within the co-op movement.

The last major attempt at forcing change in the co-op movement was started in the early 1970s when a regional plan was put forward to merge small societies into larger groups, thus enabling them to compete more effectively with the large multiple chains.

Although the number of societies has been reduced from 337 in 1970 to the present 204, this is still a long way short of the 25 regional societies envisaged. Individual societies are apparently very reluctant to surrender their independence.

At this year's Co-op Congress, Mr. Howard Perrow, this

year's president of the Co-op Union, made another rallying call to the movement to gear itself up for the 1980s. He proposed a merger of the CWS and the large retail societies, in particular the Co-op Retail Services, which traditionally takes over retail societies in trading difficulties.

The rationale for such top-level mergers—to form an organisation to be known as Co-op G.B.—is that the 10 largest retail societies together account for almost half of sales, while the top 50 were responsible for 84 per cent of sales.

The initial response of the large societies to the proposal was not exactly enthusiastic, but both the CWS and the CRS have agreed to meet with the Co-op Union later this month to discuss the matter in greater detail.

The CWS's attitude to such a merger plan will be one of the key questions to which the new CWS chief executive will have to give attention. Although the CWS is itself an efficient trading organisation, its future is irretrievably bound up with the performance of the co-ops at High Street level. But having had its own ideas for the future of the movement effectively rebuffed by the retail societies in the past, the CWS may want to see signs of a change in attitude from the societies before it embraces any merger plan too wholeheartedly.

Workers take bigger share in their jobs

BY MAURICE SAMUELSON

A GROWING number of employees are becoming shareholders in the companies they work for and businesses which do not run share-holding schemes for workers may soon become the exception rather than the rule.

Tens of thousands of employees are already covered by such schemes, only six months after the tax relief provisions of the 1978 Budget came into operation, says the latest issue of Industrial Relations Review and Report, an independent research journal.

It says that companies have been rushing to take advantage of the tax relief provisions and that shares worth millions of pounds have been handed to employees. The Inland Revenue has given the go-ahead to about 40 profit-sharing schemes, including those of some of the largest UK employers, such as ICI, Marks and Spencer and the Midland and Lloyds banks.

A further 120 concerns have applied for tax relief approval and others are considering doing so. To qualify, schemes must be

open on similar terms to all full-time employees with five years' service. The shares must form part of the company's ordinary share capital and there is a ceiling of £500 on the market value of the shares handed to an employee in a single tax year.

Individual schemes differ in detail, however. The Marks and Spencer scheme requires a UK pre-tax profit of more than £100m before any profit-sharing allocation is considered. The Midland Bank requires a minimum return of 11 per cent on issued share capital before any allocation is made.

Despite the initial success, the journal believes profit-sharing schemes would be even more popular if certain provisions of the 1978 Finance Act were altered. These include the £500 limit and the lengthy period for which shares must be held to remain tax-free.

Major retail chains have been among the leaders, with Marks and Spencer distributing nearly £2m in shares and the House of Fraser £1.6m to employees at all levels.

What makes these problems so significant is the sheer scale of the co-op movement's operations in the UK. There are some 10.6m customer-members of the 201 individual retail co-op societies scattered throughout the UK. Members of each society elect a board of directors who run the society.

Each society in turn has a financial holding in the CWS which produces and distributes goods to retail societies on competitive terms.

Both individual societies and the CWS are members—along with other co-operative bodies—of the Co-operative Union, which acts as a national forum for the co-op movement although it has no effective power. This power resides with the individual retail societies.

In total, the co-op movement employs nearly a third of a million people, owns the highest fleet of motor vehicles after that of the Government, has some 150 factories at home and abroad, runs more grocery stores than the rest of the supermarket multiples combined and operates the sixth largest deposit bank and the ninth biggest mutual insurance society in Britain.

Secondly, the traditional fragmented structure of the co-op movement seems increasingly unrealistic to cope with

University funds cut to force fees rise

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

GRANTS TO universities will be cut from next year in an attempt to ensure compliance with the Government's policy of charging overseas students the full average cost of their higher education in the UK.

Fees for foreign students, who account for 12 per cent of university students, rose by 33 per cent this month to £940 for undergraduates and £1,230 for postgraduates. But the Government claims that the fees still cover only 40 per cent of the average cost. The balance—more than £100m a year—is borne by taxpayers.

The institutions have been warned by the University Grants

Committee that their funds will probably be reduced by various amounts, according to the number of overseas students admitted by each of them.

The Government intends to introduce the charging of "full-cost" fees progressively, starting with new overseas students admitted next autumn. This indicates an overall reduction of the universities' grants next year of 3 to 4 per cent. Some educational interest groups are opposed to the charge. They say that since most of the cost is incurred by providing education for British students, the expense of foreigners is far less than the Government's average figure.

Students' Union's right to appoint officers upheld

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

A HIGH COURT judge yesterday upheld the decision of Brighton Polytechnic students' union to elect an increased number of full-time officers paid from public funds.

The increased staffing was voted by the union as a result of the "take-over" by the poly-

technic last April of the Eastbourne College of Higher Education.

But Mr. Justice Oliver rejected the union's claim for immediate payment by East Sussex County Council of a £132,000 capitation grant, from which full-time union officers are paid.

Docks Board to build new terminal at Hull

BY LYNTON McLAIN

A £350,000 ROLL-ON, roll-off terminal at Hull will be built by the British Transport Docks Board to meet increasing demand.

The state-owned Board said yesterday that it would shortly be inviting tenders.

The terminal will be built at the east end of the Queen Elizabeth Dock's No. 10 quay. The work will involve steel piling

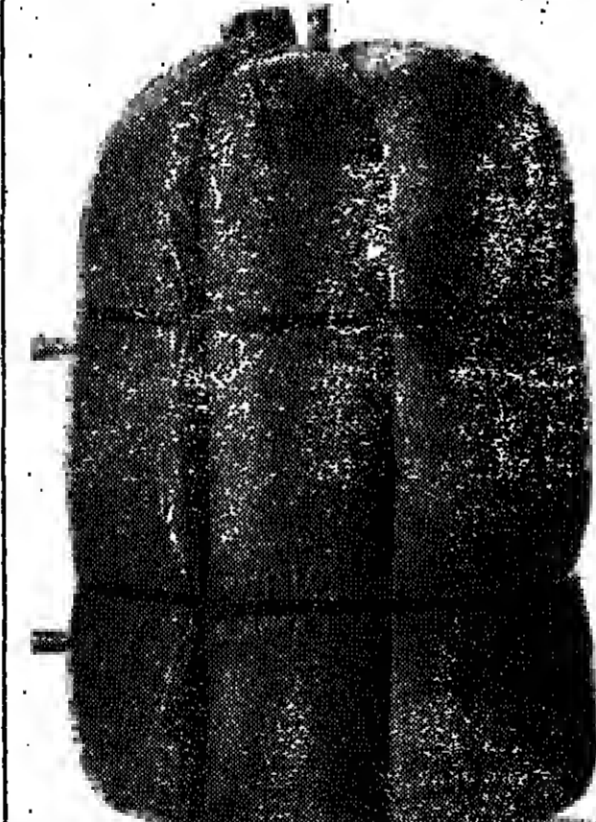
and concrete construction work to form a fixed ramp.

It will be Hull's 11th roll-on, roll-off terminal. Regular sailings already serve Norway, Sweden, Finland, Denmark, Holland, Belgium, Germany, the Soviet Union, France, Italy, Turkey and Mediterranean ports.

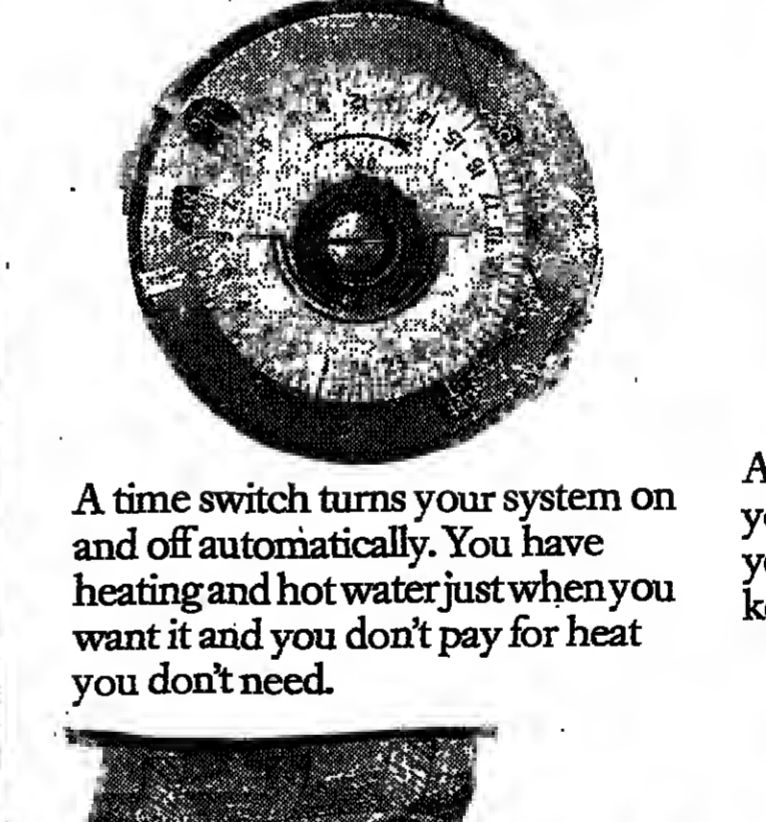
The port of Hull handled more than 153,000 containers and roll-on, roll-off freight loads last year.

BUY A CENTRAL HEATING SYSTEM WITH A BIT MISSING AND YOU'LL PAY FOR IT.

Without a complete set of insulation and heating controls your central heating system could burn up to 50% more fuel than necessary. You won't regret spending a little extra to make your system complete. These bits should pay for themselves in about two years, and go on saving you money year in, year out.



A thick insulating jacket like this (one with a BSI Kitemark) will cut heat loss from your hot water cylinder by about 80%. And the water will stay hot a lot longer.



A time switch turns your system on and off automatically. You have heating and hot water just when you want it and you don't pay for heat you don't need.



A room thermostat will keep your house at the temperature you set. This means the heating is kept under control, and so is your fuel bill.



Draughts are not only uncomfortable, they're costly, too. It'll only take a few hours to draught-proof the outside doors and main windows.



The size of your central heating bill hinges on what you put into your system. For example, if you heat your home most of the day, cavity wall insulation could be a good investment too. The point to remember is this. The more complete the central heating system you buy, the less of a fuel bill you pay. MAKE THE MOST OF ENERGY

NEW YORK SAVE £61* REAL ECONOMY IS RESERVE SEAT

Our Roundtrip Economy fare to New York really is £51 less than anyone else's. Reserve your seat both ways any time prior to departure. Full airline service and roomy comfort of the wide body DC10. Scheduled daily flights. You're much better off taking a Laker Economy flight to New York - £51 to be precise!

Table with 3 columns: ROUND TRIP LONDON-NEW YORK, LAKER ECONOMY RESERVE SEAT £277, OTHER AIRLINES LOWEST ECONOMY FARE £338, YOU SAVE £61

Advance Purchase Excursion fare £169 round trip. Standard Skytrain Service £70 one way. Seat availability call 01-628 7766. Tickets and reservations at the Skytrain Service Sales Office at Victoria Station or Gatwick Airport.

LAKER Skytrain See your Travel Agent or call 01-668 9300.

Radiator thermostats enable you to set the temperatures you want room by room. So you don't burn money heating rooms you're not using. An 80mm (3in) layer of loose-fill or mineral fibre mat in the loft will reduce heat loss substantially. Ask at your council office for details of the loft and tank insulation grant.

UK NEWS—LABOUR

Singer unions concede

BY RAY PERMAN, SCOTTISH CORRESPONDENT

SINGER SHOP stewards decided yesterday not to resist the closure of the Clydebank plant, but to press for the best possible redundancy terms for the company's 3,000 workers.

After some tough words on Friday when Mr. Joe Flavin, chairman of Singer, announced the company's withdrawal from UK manufacturing by June next year, the 120 stewards have concluded that they have little to gain from delaying a decision that looks inevitable.

Mr. John McFadyen, the union convener who led last year's successful fight to keep Clydebank open, said that many of the workers now felt that they would rather be out of Singer and of the declining sewing machine market.

"I don't think many of our members would respond to a new attempt to fight the management's decision. They have already been through 2½ years of slow death."

Unions will try to negotiate high severance pay and will try to keep the company to its promise to assist in finding other employment for the plant.

Mr. McFadyen added: "Singer has set aside \$130m (£60m) for restructuring and we want a substantial part of that."

Some of the plant here is excellent and we think it could be developed as a light engineering industrial estate. It has its own power station, press shop and the ability to carry out a wide range of different processes such as injection moulding, investment casting and the handling of sinter

metals."

The stewards have been promised help from the Scottish Development Agency and hope to build on the efforts already started by Singer, to find sub-contract work to use excess capacity. The Scottish Office has also set up a working party to look at the difficulties presented by industrial closures in Clydebank.

The effect of the Clydebank decision and the cutbacks likely at other Singer plants in Europe will be considered today by the executive of the International Metalworkers Federation in Vienna.

Before the shop stewards' decision, the executive of the Amalgamated Union of Engineering Workers agreed yesterday to seek support from the

Federation executive to block any transfer of equipment from Clydebank if the British unions thought this necessary.

Singer said last week that it would be taking other measures to counter the effect of falling orders and increased competition. Further decisions are expected after the completion of the tour now being undertaken by a team led by Mr. Flavin of the plants at Karlsruhe, West Germany; Monza, Italy; and Bonnières, France.

● A meeting of workers at International Computers Limited's Dukingfield plant, Manchester, yesterday overwhelmingly rejected closure plans, union leaders said. The plant is due to go at a cost of 1,200 jobs.

Building employers fail to heal breach

By Gareth Griffiths

AN ATTEMPT by the largest building employers' organisation to prevent a breach in the negotiating structure in the industry has failed.

Mr. John Allen, president of the National Federation of Building Trades Employers, offered the 20,000-strong Federation of Master Builders three seats in the industry's national joint council.

In return he wanted an undertaking that the master builders would leave the Building and Allied Trades Joint Industrial Council, established 10 months ago.

The joint industrial council intends to set up a separate wage bargaining system from the national joint council. The NFBTE fears that this might mean that the new council would set a consolidated wage rate above that reached in the industry's main negotiations.

Mr. Henry Stradling, the master builders' president, and Mr. William Hilton, the national director, turned the offer down.

The master builders now want to press for a tripartite negotiating system.

A conference to explore the possibilities of the scheme will be organised next week by the master builders.

Court to rule on right to sue

A HIGH COURT judge is to decide whether a trade union can sue for defamation.

The Electrical and Plumbing Trades Union has issued a libel writ against Times Newspapers. Mr. William Rees-Mogg, editor of The Times, and Mr. Paul Routledge, Labour Editor, over an article published in November 1977. The case was due to be heard on November 5, but yesterday Mr. Justice Neill in the High Court granted an application by Times Newspapers to adjourn the hearing and decide first whether a trade union could sue for defamation.

The judge directed that and other preliminary issues should be dealt with soon.

Mr. Anthony Lester, QC, for Times Newspapers, said the parties had agreed that there were three issues:

- Can a trade union, not being a special registered body, maintain an action in its own name in relation to its reputation as a legal entity, whether or not such an entity is separate and distinct from its individual members?
- If so, is any such action dependent upon the principle of damage to union property or to the union?
- Is a union able to maintain an action for damages for defamation on behalf of each and every one of its individual members in the name of the union (without identifying any

particular member or members) in relation to a publication which impugns their several reputations as members of the union?

Mr. Lester said the issues could affect press freedom and if they were not decided before the libel action, expected to last about six weeks, any decision the jury reached might be overturned on a point of law by the House of Lords. By that time a great deal of unnecessary expense would have been incurred.

Mr. Michael Kempster, QC, for the union, said the libel action was due to have been heard in three weeks. Times Newspapers should have made their application earlier.

Jobs move 'threat to N-safety'

BY GARETH GRIFFITHS, LABOUR STAFF

THE GOVERNMENT'S plan to move 1,200 Civil Service jobs in the Health and Safety Executive from London to Bootle has been criticised by Civil Service unions, who argue that it might seriously affect the executive's work.

The Institution of Professional Civil Servants, which represents 800 inspectors due to be transferred, said yesterday that the move might threaten safety

controls at nuclear power stations.

Staff wastage among inspectors was already high because of the threat of dispersal and nuclear power inspectors in particular were threatening to leave the Civil Service, rather than move from London.

Mr. Fred Mullin, assistant secretary of IPCS, said about 40 of the 70 London-based nuclear power inspectors planned to

advertise for new jobs in a national newspaper next week.

The Civil and Public Services Association and the Civil Service Union also oppose the move. The CPSA says most of its members in the Health and Safety Executive at clerical grades will leave rather than move.

The unions met Mr. James Prior, Employment Secretary, on Monday. They told him the

move would mean a loss of efficiency because staff would have to travel frequently between London and Bootle to consult with other Government departments.

They are also sceptical about the Government's assertion that the move will have spin off effects on employment in Merseyside. Of the 1,200 jobs created, 800 will be filled by the transfer of staff from London.

Naval dockyard pay blamed

LOW PAY in Government naval dockyards has led to work on ships being contracted out to private yards, according to a trade union leader yesterday.

Mr. Mick Martin, secretary of the Shipbuilding Trades Joint Council, said that workers in private yards were paid 30 per cent more. He denied that industrial disputes delay repairs and refits of naval ships and submarines.

Low pay in naval dockyards had caused severe shortages of manpower, he said. The craft rate was £56.25 a week and the Pay Research Unit found wages in dockyards to be below those of outside industry.

Journalists to seek 25%

A 25 per cent pay claim is to be lodged by the Institute of Journalists for its members on provincial newspapers, it announced yesterday at its annual conference in Jersey.

That would give a newly qualified senior journalist on the smallest weekly paper a minimum of £88 a week, compared with £70.50.

The Institute also wants an extra week's holiday, an independent inquiry into provincial journalists' pay and a review of increments paid to senior journalists.

It will seek to restore the increments paid to senior journalists for two years and five years' service to the same percentages of the basic minimum as when fixed in 1970.

ProDUCTION at the Birds Eye frozen food factory at Kirkby, North Merseyside, was at a standstill again yesterday in an unofficial dispute over manning levels.

Talks between management and union representatives broke down on Monday night and no

Deadlock in Birds Eye dispute

MEETINGS are planned. Meanwhile, pickets remain outside the plant, which employs more than 800 men and women.

The dispute started on Friday when two women were suspended after refusing to work a machine. They said that a third person was needed.

NEWS ANALYSIS—RAIL DISPUTE

Battle to bring forth peace

THE 24-HOUR strike threatened by 15,000 members of the National Union of Railwaymen, which is expected to halt all services in and out of London's mainline stations, is the first big official stoppage of the union for 16 years and the first important strike since 1926.

That is no comfort to passengers who have suffered from unofficial action or who have been faced with the brinkmanship of the threats of stoppages which have become alarmingly commonplace in the industry. But it does indicate how seriously the traditionally moderate NUR views what would seem at heart a comparatively minor issue.

The main reason is that the dispute has gone beyond its original local differences at Paddington station over parcels office manning—into the thorny field of procedure and sacrosanct machinery of negotiation.

The union insists that the action of local management at Paddington, in not working through procedure, undermines the sensible base on which industrial peace on the railways has been maintained.

The management replies that it attempts at consultation locally meet stonewalling. The changes in parcels traffic, which necessitated alterations to work rosters, could no longer be ignored.

In April this year, management at Paddington put forward proposals for alterations in work rosters for parcels office staff. The proposals followed a considerable decline in ordinary parcels traffic, but a corresponding increase in Red Star parcels, which use designated trains to deliver parcels within hours.

The changes involved alterations to starting times and work patterns, and the transfer of about 50 of the 176 staff to other jobs in the station. Assurances were given that there would be no redundancies.

The management says that there was no reply to its proposals for 11 weeks. British Rail says that union representatives walked out of a further meeting, and failed to turn up for another four consultative meetings stretching into August.

Frustrated by months of inactivity, which it saw simply as the local union's method of rejecting the changes, the local management eventually told the union it would introduce the changes on September 3.

The union claims that the Paddington dispute did not go before the local committee, and that the arbitration offered this week under Lord McCarthy could not have done otherwise than agree with that view.

The management will only say that it has exhausted consultation procedures.

Although that might seem a negligible distinction on which to base such serious industrial action, the NUR insists that the machinery is not only its sole method of dealing with the management, but also its only way of keeping its own militants in line.

The NUR's policy in dealing with members taking industrial action is to insist that the dispute goes through the machinery. Officials privately admit that that is sometimes the only way the union can control its members.

The union says that British Rail, through the action of its local management at Paddington, is opening the way for widespread unofficial action. The union, powerless to dispel the force of the action within the discredited machinery, would be unable to act.

The union rejects accusations that the strike would not be taking place if Mr. Sid Weighell, the NUR's moderate general secretary, had been taking the executive meeting which decided to call it. Mr. Weighell is ill in hospital.

Intransigence

He did unofficially meet British Railways Board member after the first of the one-day stoppages at Paddington. He offered proposals that might have led to a settlement, but they were rejected.

Once that intervention had failed, Mr. Weighell acknowledged that a serious principle had been breached and that the union's action must become more widespread.

It is recognised, though, that relations at Paddington have not been good. The intransigence of the local union at the station might have led not to serious industrial action but to the union's disciplining some members had management acted differently.

The union has also accused British Rail of poor management at the station. It points to a letter to customers from Mr. Leslie Lloyd, general manager, which claimed there was little support for the action among station staff and that most agreed with the management's decision simply to introduce the changes.

Union and management, nationally, agree on one thing—that such a dispute should never have reached national level and grown to such importance.

The Paddington are not directly connected with talks that have been going on with the unions on productivity in the industry, which might lead to the loss of as many as 40,000 jobs. But the issue does reflect the Board's concern about efficiency, particularly in the freight business.

It is just one of the ironies of the complicated industrial relations of the railways that the NUR ran call such widespread action with the aim of preserving peace in the industry.

Rosters

The union fastens on this as the action which altered the whole complexion of the dispute. What was a grievance paralyse staff, who were worried about a drop in earnings through being moved away from jobs with a high overtime potential, became a national issue which threatened normal negotiation procedure.

Under more working hours, meal intervals, including local rosters and working diagrams have to be considered by the lowest tier of British Rail's negotiating machinery, the local departmental committee.

The agreement makes clear that consultation alone is not sufficient on such issues as changes to rosters.

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مركز الاموال

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHÖETERS

COMPUTING

Man at work modelled on screen

HUMAN FORMS can be modelled three dimensionally in line form on the screen of a computer aided design (CAD) terminal using software originally developed at Nottingham University and now offered by Compeda, the software marketing wing of the National Research Development Corporation (NRDC).

Called Sammie, the system allows the man models to be manipulated in order to evaluate the physical interaction between worker and work. It has already been used for design studies of aircraft cockpits, truck cabs, passenger vehicles, mining machinery layouts and even kitchens. On the screen the man-outline appears in "wire frame" form.

The particular value of the

system is that it allows the match of the man to his workplace to be fully examined in terms of reaching for levers and pedals, visibility through cab windows, checking ability of the environment to cope with a range of body sizes—even checking on what can be seen in the rear view mirror of a driving cab.

Sammie is completely interactive and the user needs no special computer training. He converses with and controls the system through a simple but effective structured command language. The data structure allows a completely three dimensional scale representation of the equipment and buildings to be created, stored, retrieved and displayed. The user can build the model

of the work place and then put the human model within it. He is then able to display and view the model in a variety of ways and amend it to optimise the design. The human model has considerable variability and is based on a set of 21 rigid links with pin joints to cover the major movements of the body.

Compeda, which expects its turnover to reach £1m this financial year and hopes to become profitable next year, has so far spent about £14m in marketing British software in various parts of the world. It has just joined forces on an informal basis with the Science Research Council and the Post Office to market integrated circuit design packages.

Ink-jet company's first unit

AFTER ITS first year of activity new company Domino Printing Services of Cambridge has completed the development of Unijet, an ink jet printing system which for it already has orders worth more than £70,000.

Formed last September by Graeme Minto from Cambridge Consultants and with financial assistance from TDC, the company is already expanding its new factory at Milton.

Unijet is available as a single or multhead system with up to eight heads operating from one moveable control unit. Each head has its own print control microprocessor and can print a message of up to 255 characters from a 64-character set at any

speed up to 1,523 characters/sec. This represents a linear speed of 1,000 ft/min at seven characters/inch.

Characters are formed by a 7 x 5 dot matrix can and can range from two to six millimetres high. Bold type can be produced.

Unijet is a true non-contact printing system: as the paper moves past the head ink is projected at it by electrostatic forces. The technique is, therefore, particularly suitable for coding delicate or uneven packages as well as curved or recessed containers.

For batch coding the data is entered on a hand-held keypad, but at high speed (9,600 baud)

message rewrite option is also available which enables sequential numbering routines to be printed using an additional control module.

For conventional printing on paper, the heads can be attached to presses for overprinting and numbering at the same time as normal printing is in progress.

Basic printer unit was developed to Domino's specification by Cambridge Consultants, from whom a manufacturing licence has been obtained.

More from Unit 1, Crane Industrial Estate, Cambridge Road, Milton, Cambridge CB2 4AZ (0223 86664).

MARKETING

Scandinavian drive in Yorkshire

SWEDISH BUSINESSMEN will begin a visit to Yorkshire on October 29 to investigate the investment opportunities in Yorkshire and Humberside during a four-day tour organised by the Yorkshire and Humberside Development Association.

Four of the delegates have already indicated that they have

firm plans for setting up a manufacturing operation in the UK and are considering this region as a prime location.

The visit will take in Leeds, Doncaster, Rotherham, Grimsby, Hull, Beverley and York, and the Scandinavians will look at factories (including Stanley Tools in Rotherham) and also see a Government training

centre, town centre shopping area and available housing.

Other regional sources on show will be the Humber Road Bridge, the docks and port facilities in Hull and the Viking excavation site in Coppergate, York.

Itinerary and details from the Association at Civic Hall, Leeds (0532 444639).

ENERGY

Ready for the end of North Sea gas

BAD NEWS that gas prices are likely to rise very sharply, and that North Sea gas could "run out in 15 years," draws attention to the status of processes to produce gas from coal—which will be around for at least 300 years from exploitable reserves and, probably for 1,000 years, is reserves that are not exploitable by present techniques are taken into account.

There are well over 30 different gasification processes belonging to four groups being promoted by various companies and organisations, many of them in the U.S., which is hardly surprising in view of that country's endemic shortage of natural gas.

In Britain, the NCB has been pursuing a development aimed at producing a low calorific value gas through fluidised bed combustion of coal, the gas being used (in theory) to drive a gas turbine which will generate electric power. Aim is for a much more efficient use of the energy contained in coal.

Such work could be the starting point of a gas process that would yield, principally, methane that could be fed into the existing gas grid as a substitute for North Sea gas.

Midlands Research Laboratories has designed a pilot plant to produce 4m cubic feet/day of synthesis gas. This is based on a two-stage hydrogenation process which produces a char to be fed to a gasifier running at 1900 degrees F. The resulting gas is turned to pipeline quality by catalytic conversion to methane.

There is a small pilot plant in Scotland and the Gas Council has an information sharing agreement with the U.S. The laboratories are experimenting with a variety of feedstocks.

ICI has been collaborating with Koppers of West Germany on a development from the latter's oxygen/steam/coal high temperature gasifier which will provide one-step conversion of raw gas from the Koppers-Toback gasifier into pipeline quality high BTU gas.

So far, the largest sums appear to have been spent in the U.S. on a hydrocarbonisation process under development by the Coalco group and supported by a \$257m grant from ERDA, the Government energy agency. This is for the construction of a demonstration plant able to turn out a range of products from substitute natural gas to high quality low sulphur fuel oil.

This is one of the four possible methods of coal treatment that seems closest to realisation on a large scale, though the others—direct hydrogenation, extraction-hydrogenation and Fischer-Tropsch synthesis as used in Germany during the war to produce a range of liquid fuels—are being actively pursued.

Britain's NCB has developed a two-stage hydrogen door process which extracts hydrocarbons from coal under pressure and medium temperature in the presence of coal-derived solvents and turns them into a range of liquid fuels by catalytic cracking just as an oil



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refinery would upgrade crude oil. NCB also has a novel concept using "supercritical gases" to extract the useful hydrocarbons from coal. This runs at between 100 and 200 atmospheres and between 450 and 550 degrees C. at which levels there is no distinction between gas or liquid.

Its attraction is that the solution separates readily from the residue and that extraction of the interesting constituents which are relatively rich in hydrogen is rapid and selective. Extract and solvent are also readily separated and the whole plant could be made relatively simple.

The residue—char—is an excellent starting point for gas production.

There is thus ample understanding of the technology needed to provide gas of the grade required to continue operating the gas distribution grid. The question that must be asked is when will it be the right time to put in a large demonstration plant?

In view of the ECSC interest in the critical extraction process this is the one that might reach large-scale application first though both methods of liquefaction are being given equal treatment by the DoE which is participating in the £32m financing of two 25-tonne per day pilot plants which should be in operation in 1982.

MATERIALS

Protection of window frames

A PAINT product aimed at one of the UK's growth industries—new and replacement windows—has just been launched. Called Interpon D, it is claimed to be the only British-made powder coating system with a five-year performance guarantee for window frames, says the manufacturer, International Paint.

The guarantee covers both aluminium and galvanised steel.

In one area of the window market—bot-dip galvanised steel frames for factories, office blocks and housing—Crittall Windows for instance is experiencing a trend away from the traditional method of painting frames on the building site towards the concept of factory-finishing. The company coats

the frames to its own plant, and estimates that it will be doing this for about 90 per cent of its business in this market within two to three years, leaving only a small proportion for on-site finishing.

The main attraction for contractors, says Crittall, are the obvious savings in time and labour—for example, the need for elaborate scaffolding with on-site painting is eliminated and bad-weather delays are minimised.

Crittall also claims that by using powder-coating in a controlled factory finishing situation the life of the frame's surface coating is double compared with on-site painting which they believe usually lasts about five years.

The dry, coating material—sprayed on to the article with electrostatic guns—melts in an oven, flows out and cures to a tough, smooth film. Thicknesses are easily controlled and only one coat, without a primer, is necessary.

Interpon D, which is applied to hot-dip galvanised steel frames with a minimum film thickness of 75 microns. The material is formulated in a range of colours and is stated to pass both the performance requirements of BS-4842 and the Aluminium Window Association (1978) specification. International Paint's headquarters are at Henrietta House, Henrietta Place, London W1A 1AD (01-580 6677).

Increase in coloured stainless steel

CAPACITY OF the Stainless Equipment Surfaces (SES) colouring plant at Alma Road, Enfield, is to be more than doubled.

Designed by SES, in collaboration with equipment suppliers W. Canning Engineering of Birmingham, the plant will be commissioned in mid-November this year.

It incorporates W. Canning's "Grid" transfer equipment, and will have the ability to colour well over 1m square feet of stainless steel per year.

The installation will enable SES to extend the size of the standard module they offer to

sheets of 8 x 4 ft, 6 x 3 ft or 2.5 x 1.25 metre and 2 x 1 metres. This will make possible many new applications, including wall and lift car panelling, shower interiors and shop front fascias. In addition, the company will be able to colour stainless tubes—such as for handrails—of similar fabricated parts, up to a maximum length of 10 ft (3 metres).

The colours offered by SES, who operate the Inco-developed process for colouring stainless steel, are bronze, blue, gold, red and green in both mirror and satin finish, plus black in mirror and charcoal in satin finish. Facilities are also avail-

able for patterning the stainless steel.

The cost of coloured stainless steel sheet varies according to the type and grade of stainless being used. Accordingly SES add a charge of just under £1 per square foot to the basic cost of the steel; this charge covers preparatory polishing, the colouring process and the application of a protective coating.

The new colouring plant is in addition to the existing facilities (annual capacity 400,000 square feet) which, in future, will be devoted entirely to the production of black stainless steel.

SES, Alma Road, Ponders End, Enfield, Middlesex EN3 7BE. 01-505 0884.

Plastic pipe for all plumbing systems

NOW AVAILABLE to UK builders' merchants, installers and specifiers (and, within the next year, the DIY market) is a complete all-plastics hot and cold water system from Hunter Plastic Industries, Nathan Way, London, SE28 (01-855 9851).

Material used for the pipes is chlorinated polyvinyl chloride (CPVC) part of the already well-established family of rigid polyvinyl materials, says the company that have gained acceptance in the plumbing field.

Called Genova CPVC, systems are available for hot and cold supply in 15 mm and 22 mm diameter pipe and a fully comprehensive range of fittings.

These include all necessary connectors, valves and unions for tap, tank and cylinder connections, and also a range of transitional materials, such as copper, stainless steel and galvanised barrel.

Joining is by solvent weld cementing which eliminates the need for open flame or special tools.

A 28 mm diameter CPVC pipe and fittings will be available early next year following completion of tooling at the company's manufacturing complex at Woolwich, London.

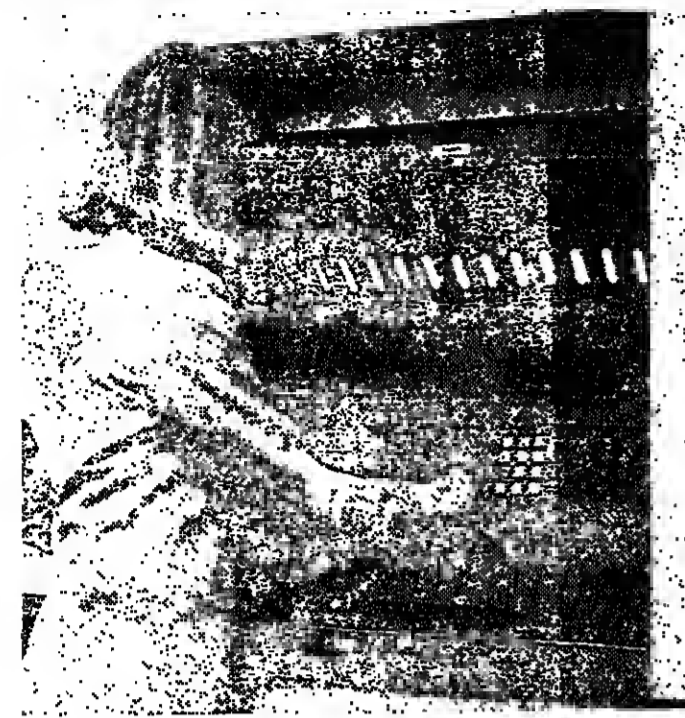
Also complementing the CPVC systems, is another innovation—a flexible polybutylene (PB) pipe for hot and cold supply. PB is more suitable for long runs where, say, the pipe may be buried in the floor screed but this pipe is not solvent welded—joining is made by using the patented Hunter-Genova "Genogrip" adaptor.

Luxury on wheels

INCREASE IN air traffic delays and congestion on the roads has led to a return to the railways to West Germany with bookings up last year by 20 per cent and Touristik Union International of Hannover has ordered a 30 Fullman carriage super-train to meet holidaymakers' demand.

The luxury train is being built in the Berlin factory of Waggon Union GmbH at a cost of £9m and will include more than 3,000 Texon textile laminate sheets supplied by Bonded Laminates, 293, Old Ford Road, London, E3 (01-890 2005).

The sheets will be in two patterns, white hessian and wide linen, plus a small quantity of oak from the company's Truwood range of real wood laminates for cladding carriage walls.



Cash unit goes anywhere

OLIVETTI, which recently scooped the plum job of supplying £23m worth of front and rear office electronic banking equipment to the Scandioavian savings bank group—with a further £23m of supplies and support over five years—has launched the through-the-wall automatic teller system shown here.

The TCS00 ATS-TTW has been designed for unprotected environments so that extended banking services can be provided 24 hours a day at air-

ports, in company buildings and elsewhere. It consists of a central processing and control unit, floppy disc storage, keyboard, 260-character video display, hedge reader, printer and cash dispenser.

Every transaction starts with the insertion of the customer's personal badge into the terminal and he is guided through every stage of the operation by a message which appears on the screen. Security has received special attention. British Olivetti, 30 Berkeley Square, London W1X 6AH. 01-629 8807.



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ISS, with headquarters in Copenhagen, has changed its corporate structure twice within the past year. Hilary Barnes reports

A passion for management

ONE GETS a strong impression that management organisation is a passion at ISS A/S in Copenhagen. It is discussed enthusiastically and interminably, but not to the detriment of what is one of Denmark's most successful companies. Since 1982, when Poul Andreassen became managing director, it has developed from a Kr 20m (£1.8m) a year Scandinavian operation into a Kr 31m (£265m) a year organisation operating in 15 countries and with about 55,000 employees world-wide.

Rapid growth has required a continuous assessment of management techniques and structure to adapt the group to its expanding role. Last year, with a slightly apologetic note, the most ambitious reorganisation project to date — a matrix structure — was launched. "It is true that the organisation of ISS has been changed frequently," a brochure prepared by corporate headquarters told managers as it prepared them for yet another shake-up.

But today, after 11 months of intensive preparation for the matrix organisation and after five months' experience with the new structure, the matrix system has been abandoned and managers are busy shaking down to yet another structure.

ISS stands for International Service System. The group's operations are within seven main fields: cleaning and maintenance, security services, laundry and leasing of garments and linen, building and total interior service, energy control, catering and canteen management, and supply of chemicals and equipment for the cleaning and maintenance industry.

Corporate planning does not



Poul Andreassen: "Ideas coming from the top met resistance as they filtered through the management pyramid"

allow for any slowing down in the rapid expansion of the past 17 years. The financial targets are an annual increase in turnover, and of profits of 15-20 per cent, the maintenance of a minimum ratio of equity to assets of 27 per cent and a return on equity capital of at least 25 per cent.

Turnover will exceed Kr 31m for the first time this year, compared with Kr 2,050m in 1978. The leap will come because the sales and earnings of the Prudential Building Maintenance Corporation, New

York, will be included in the group accounts for the first time.

ISS acquired a substantial minority holding in Prudential, the shares of which are quoted on the American Stock Exchange in New York at the beginning of this year. It now holds 49.6 per cent of the share capital and expects to increase this to about 55 per cent as soon as the U.S. authorities authorise the further investment. Prudential had a 1978 turnover of about \$120m.

ISS also operates in Brazil and eight western European countries outside Scandinavia, including the UK.

Anyone at ISS headquarters in the Copenhagen suburb of Charlottenlund, including Poul Andreassen, will tell you that the group's expansion is primarily due to the fire and enthusiasm of one man. Andreassen himself, but he will also be the first to explain that the search for suitable management and organisational structures arises from the need to come to terms with the fact that one man can no longer satisfactorily control such a large and diverse company as ISS has become.

"The problem was that ideas and solutions which came from

of the blame. It was slowing down decisions and introducing an unwanted element of bureaucracy. The problems would probably not have emerged so quickly in a manufacturing company, said Andreassen, but in a service industry speed of decision is all important; a cleaning contract accepted—or lost—today is reflected in the profit and loss account tomorrow.

Andreassen feels that the conflicts arose under the matrix system because the interests of the national holding company and the product companies were not always the same, partly because the holding company's manager was looking to this year's financial results, while the product company's manager may have been dealing with high technology security systems or energy monitoring systems of which the holding company manager had little understanding.

To resolve disputes, the holding company manager appealed to the geographical division chief in Copenhagen and the operating company's manager appealed to the product division chief, so that each disagreement tended to involve at least four principals and the disputes ended up on Andreassen's desk. "The matrix system was supposed to provide for a greater delegation of responsibility, but I found it was working the other way," he says.

It was while on his summer holiday that Andreassen realised that the structure had to be scrapped. He sat down to try to describe the responsibility structure and found that it took stacks of paper. "It should have been possible to do it on half a sheet," he says.

The new structure which is being put into operation is product-oriented. The four main product groups in Denmark—security and guard services (the Securitas companies), trading and production of cleaning materials (Daremas), cleaning and maintenance (Servis), and energy control (Glorius), are in principle responsible for their production counterparts abroad, which they will normally own one hundred per cent, though some elements of the matrix structure have been retained, notably by the Daremas companies. The structure is generally simpler, has clearer lines of responsibility, and bypasses the conflict potential which proved the matrix system's weak point for ISS ("I am not saying that the matrix system does not work, only that it does not work for us," Andreassen emphasises).

"It was an enormous personal relief to me when I decided to abandon the matrix," says Andreassen, and adds that an improvement is already apparent in the group's financial results.

A new area for insurers to get their teeth into

MEDICAL INSURANCE

schemes, with the employer paying most, or all, of the cost, are now well established as an employee benefit. The use of such schemes is likely to grow and become available to all classes of employee, despite the resolution passed at this year's Trades Union Congress condemning such schemes and banning affiliated unions from participating.

The major operators in the medical insurance field—British United Provident Association, Private Patients Club and Western Provident Association—report a growing interest in such schemes to cover the shop floor, or office workers as well as top executives, senior and middle management.

However, all the schemes marketed by these three companies severely limit the benefits for private dental surgery; they are confined to surgery needed as a result of an accident. The operators take the view that dental treatment is expensive anyway and that the costs will increase because employees will make much more use of private dental facilities once they realise insurance is available.

But something is rotten in the State and according to the Royal Commission on the health services, it is the state of the nation's teeth. According to the report, "dental health is part of general health and by any standards the dental health of the nation is poor."

In addition there has been growing dissatisfaction among certain dentists over the operation of dentistry within the NHS and the method of remuneration. It appears, though there are no official statistics to confirm or deny, that more dentists are refusing to provide treatment under NHS conditions and are working outside the system. This trend is reputed to be strong in London and the South East.

The conditions would therefore seem favourable for a move into dental insurance and last month two company dental insurance schemes appeared on the market, but not from the three major medical insurance companies. One is from a small independent, Allied Medical Insurance, and the other from a newcomer in this field, Private Dental Care.

Allied Medical has been operating in the medical insurance field for the past few years—it was originally part of the



EMPLOYEE BENEFITS

to the employed but the employee's spouse and children, and covers orthodontic treatment. There is a limit on charges for each kind of treatment in order to limit the underwriter's liability, but the limits are generous.

Each plan has slight variations and the documents need to be studied carefully.

The major difference between the two plans is in the method of costing. The PDC plan makes a straight charge of £30 per annum per adult and £35 per annum for each child under 18. There are group discounts depending on the number of employees in the scheme, ranging from 10 per cent for 10 employees (excluding spouses and children) to 25 per cent for at least 100 employees.

Allied Medical operates a completely different method; this reflects the actual cost of claims in a group. The basic rates are £32.50 for an employee, £45.50 for a husband and wife, and £68.50 for a family. The company pays the total basic premium at the beginning of the year and the balance at the end of the year, adjusted to take into account the actual claims during the year. Theoretically the balance could be nil. There is a maximum premium payable irrespective of the amount of the claims.

PDC insists that the beneficiary undergoes an annual inspection, which is covered by the insurers, otherwise he or she is no longer eligible. Allied Medical is lax on this point regarding such a condition as unenforceable.

Companies interested in having dental insurance for their staff should study both plans carefully, taking into account the views of their employee benefit advisers if possible.

The three major insurers all state that they have no plans for entering this field. They point to the absence of any reliable statistics on which to base the premiums. They warn of the dangers of costs escalating beyond those originally forecast as employees make use of this insurance. This has happened in the U.S. where the major medical insurers lost large sums before getting an adequate premium rating.

Nevertheless, now that the precedent has been set it is difficult to see how the three majors can keep out for long.

Eric Short

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BUSINESS PROBLEMS BY OUR LEGAL STAFF

Claim against bankrupt

I recently bought a horse for show jumping, etc., to which the veterinary certificate at purchase showed only two mild complaints, but he appeared lame after two weeks. The same vet then X-rayed the legs and claims the horse has navicular, must have done so for at least six months, and must not be ridden. The vendor refuses to do anything about it. What do you think of my prospects in an action against her? What would the costs be? Is it important whether the vendor knew of the lameness when the horse was sold? Does it matter whether she (and the man with whom she is living) are officially trading in horses, or only operating a "hobby"? Can she transfer her assets to the man she is living with, as she has said she has no money anyway, and what is my position regarding legal costs, etc. if I win but she claims bankruptcy? Provided the vet is willing to give evidence in the effect that the more serious condition (Navicular) must have been apparent in the previous owner (and indeed must have been concealed before the veterinary certificate was obtained) you should succeed in a claim for misrepresentation. It is essential that it be proved that the vendor knew of the lameness before the contract of sale. The question of whether the vendor was a trader or not goes only

Choice of loss reliefs

Some time ago your taxation expert wrote an article stating that the 1978 Finance Act introduced a new tax concession for self-employed people who started a new business. It said in effect that a claim can be made where the business makes a loss in any of the first four tax years, that the loss is allowed against any other income (e.g. earnings in a previous job) of one or more of the three tax years preceding the year in which the loss occurs.

My first year of business is showing a loss but when I mentioned the article to my accountant he said that this may not apply to me because I am still in employment and taxed under PAYE. What, please, is your view?

We take it that you mean that yours is a part-time (1 evening) business and that you have a (? daytime) job as well. If so there is a choice of loss reliefs open to you, under sections 168 and 169 of the Income and Corporation Taxes Act 1978 as well as under section 30 of the Finance Act 1978.

If your accountant needs a second opinion on some aspect of the 1978 provisions etc. he may like to write to us direct.

BUILDING SOCIETY RATES

Every Saturday the Financial Times publishes a table giving details of BUILDING SOCIETY RATES on offer to the public. For further details please ring 01-248 8000, Extn. 266

Closing down a company

Could you please advise me as to the simplest method of closing down a company?

Your best course is simply not to file any annual return. In due course the Companies' Registrar will write pointing out the default and that the Company will be struck off for want of compliance. By not responding the company will incur that penalty and will cease to exist on being struck off the Register.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Our objectives were laid down millions of years ago.



Long before man set foot on the earth, the earth's mineral resources were laid down; either as a result of violent upheavals or slow, gradual movement.

Pretty soon, man realised that certain of these minerals could be utilised for practical benefit. The only obstacle was getting to them.

The same problem exists today. And it's a problem for which Craelius provide a specialist answer.

Craelius design and manufacture an enormous range of drilling equipment for the mining and contracting industries.

But behind the success of this one company there lies an even larger success story.

Craelius are part of the growing Unicorn Industries Group.

And all the dozens of companies worldwide which currently make up the Group are likewise specialists in a particular field of abrasive technology.

Abrasives may not sound all that prepossessing, but you'd be surprised how essential they are; to industry, and therefore to all of us.

Whenever materials need to be smoothed or shaped, cut or cleaned, Unicorn's mastery of this sophisticated technology is needed.

That's why we're optimistic about our future prospects as a group.

Because there's every reason to suppose that people are going to go on wanting cars, cookers, pens, aircraft, glasses and all the other things our expertise helps to process or manufacture.

As well as wanting us to help harvest the earth's natural resources.

The Craelius Group.

Part of
Unicorn Industries
Shaping the future worldwide

For further information about The Craelius Group and other Unicorn Companies please complete this coupon and return it to the Group Marketing Executive, Unicorn Industries Limited, Castle Hill House, Windsor, Berkshire SL4 1LL.

Name: _____
Position: _____
Company: _____
Address: _____

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Organised by: Monthold Ltd 11 Manchester Square London W1M 6AB Tel: 01-498 1861

A copy of this Prospectus having attached thereto the documents referred to below, has been delivered to the Registrar of Companies for registration.

This document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange, London for the purpose of giving information with regard to Vitatron N.V. ("the Company") and its subsidiaries. The Members of the Supervisory and Managing Boards have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement

herein whether of fact or of opinion. They accept responsibility accordingly.

Application has been made to the Council of The Stock Exchange for the whole of the issued ordinary share capital of the Company to be admitted to the Official List.

In this document the symbol "D.Fis." means Dutch guilders (equivalent to florins). At 12th October, 1979 the middle market spot rate of Dutch guilders to the pound sterling prevailing in the London foreign exchange market was D.Fis. 4.29 to the £1.



VITATRON N.V.

Placing by GRINDLAY BRANDTS LIMITED

of

890,000

Ordinary Shares of D.Fis 0.25 each at D.Fis. 7.50 per share

The Ordinary Shares now being placed rank *pari passu* for all dividends hereafter declared or paid on the issued share capital of the Company.

Authorised

D.Fis. 2,000,000

Share Capital

in Ordinary Shares of
D.Fis. 0.25 each

Issued and to be issued fully paid

D.Fis. 1,149,086

Indebtedness

At the close of business 30th September, 1979, the Company and its subsidiaries had outstanding mortgage loans of D.Fis. 6,000,000, other loans of D.Fis. 1,184,450, subordinated loans of D.Fis. 4,998,000 and bank overdrafts of D.Fis. 5,939,000. At 30th September, 1979, except as disclosed herein and apart from inter-company indebtedness, neither the Company nor any of its subsidiaries had outstanding any loan capital or any loan capital created but unissued, mortgages, charges or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, or guarantees or material contingent liabilities.

At the same date the Company and its subsidiaries had credit bank balances of D.Fis. 1,375,000.

Supervisory Board

Chairman
A. UYTENBROEK (Neth.)
1316 Lake Shore Drive, Orlando, Florida 32803, U.S.A.

P. A. BROOKE (U.S.)
212 Lindsay Pond Road, Concord, Massachusetts 01742, U.S.A.

L. C. EBELING (Neth)
Wijnoldy Daniëlsaan 13, 2082 HA Santpoort, The Netherlands.

C. SCHOKING (Neth)
Wildenborch 99, 1082 KC Amsterdam, The Netherlands.

Managing Board

Managing Director
A. H. EIKMANS (Neth)
Kastanjelaan 16, 6883 HZ Velp, The Netherlands.

Financial Director
W. G. VAN KEIMPEMA (Neth)
Hullekesbergseweg 8, 6994 CH De Steeg, The Netherlands.

SUMMARY AND STERLING TRANSLATION

The following information is derived from the full text of the Prospectus and accordingly must be read in conjunction with that text. The key figures from the Prospectus have been translated into sterling at the middle market spot rate of Dutch guilders to the pound sterling prevailing in the London Foreign Exchange Market at the latest practicable date being D.Fis. 4.29 to the £1.

TRADING RECORD	Year ended 31st December					Six months ended 30th June
	1974	1975	1976	1977	1978	1979
	£'000	£'000	£'000	£'000	£'000	£'000
Sales	6,246	7,283	8,182	11,950	11,276	6,588
Profit before Taxation ..	361	268	395	1,024	796	670
Profit after Taxation ..	158	158	179	529	500	447

EXCHANGE RATE MOVEMENTS

The exchange rate of Dutch guilders to pounds sterling (as defined above) on the last day of the accounting periods shown above were as follows:

£1 sterling	5.88	5.43	4.18	4.36	4.02	4.42
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Translated at these historic rates the profit after taxation for the relevant accounting period becomes as follows—

Profit after Taxation ..	116	125	184	521	534	433
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SHAREHOLDERS' FUNDS

As at 30th June, 1979 £3.1 million

FORECAST FOR THE YEAR ENDING 31st DECEMBER, 1979

Incorporating audited results for six months to 30th June, 1979.

Profit before Taxation—not less than £1.8 million

Gross Dividend Payable per share in 1980 10.5p

STATISTICS FOR PLACING

Placing Price D.Fis. 7.50 (176p) per share

Market Capitalisation at Placing Price D.Fis. 34.5 million (£8.0m)

1978 Forecast Earnings per Share D.Fis. 1.05 (24.8p)

Prospective Price/Earnings Ratio at Placing Price 7.1 times

Prospective Gross Dividend Yield at Placing Price 6.0 per cent.

Prospective Cover at Placing Price 2.3 times

Principal Place of Business and Registered Office
Koningweg 24, 6901 KL Dieren, The Netherlands.

Brokers
CARR, SEBAG & CO.
Buckleybury House,
3 Queen Victoria Street,
London EC4N 8DQ.

Auditors and Reporting Accountants
PEAT, MARWICK, MITCHELL & CO.
Linn Van Nieuw Oost-Indie 127
P.O. Box 93210,
2509 AE The Hague, The Netherlands.

Collectors to the Placing
CLIFFORD-TURNER
Blackfords House,
19 New Bridge Street,
London EC4V 6BY.

General Counsel to the Company
BIRGHAM, DANA & GOULD,
100 Federal Street,
Boston, Massachusetts 02110
U.S.A.

Netherlands Counsel to the Company
LOEFF & VAN DER PLOEG,
De Lohmeervest 138,
1075 HJ Amsterdam,
The Netherlands.

Bankers

NEDERLANDSCHE MIDDELSCHANSBANK N.V.
6324 BH Arnhem,
The Netherlands.

BANK OF AMERICA NT & SA
1077 DS Amsterdam,
The Netherlands.

Netherlands Transfer Office
VITATRON N.V.
Koningweg 24,
6901 KL Dieren,
The Netherlands.

U.K. Registrars and Transfer Office
LLOYDS BANK LIMITED
Registrars of the Company,
One-by-One,
Worthing, Sussex.

Shareholders and Debenture
JONES LANG WOOTTON & CO.
Jan Willem Droneweg 25,
1071 LM Amsterdam,
The Netherlands.

Place of Business in the U.K.
Vitatron U.K. Limited, Dog Valley Road, Maidenhair, Buntingford CB25 4EG.

The following is a copy of a letter to Grindlay Brandts Limited from Mr. A. H. Eikmans, Founder and Managing Director of Vitatron N.V.:

The Director,
Grindlay Brandts Limited,
23 Fenchurch Street,
London EC3P 3ED.

16th October, 1979.

Gentlemen,

In connection with the placing of 890,000 Ordinary Shares of D.Fis. 0.25 each in a Netherlands company, Vitatron N.V. ("the Company"), I am writing to provide you with information regarding the Company and its subsidiaries ("Vitatron").

INTRODUCTION

Vitatron is a leading manufacturer of heart pacemakers in Europe and a prominent manufacturer of certain instruments for clinical laboratory use. The success of Vitatron can mainly be attributed to the emphasis on the highest technical standards which have secured industry-wide demand for Vitatron's products and exports from The Netherlands account for approximately 30 per cent. of its sales.

HISTORY

Before I founded this business in 1962 I worked in the design department of The Netherlands Cancer Institute in Amsterdam. One of the last projects that I was involved in was the design of an instrument for quick determination of calcium and magnesium concentrations in the human body. This was carried out by photometric measurement and at the time I thought there would be broader interest for this product if I could construct an instrument that would enable clinical chemists to combine the possibilities of normal photometric work (which was already done in many laboratories) with calcium and magnesium determinations. With this idea in mind I designed such an instrument in evening hours and later I sold it to Dr. Ebeling, who was kind enough to demonstrate it at a meeting of The Dutch Society of Clinical Chemistry. After this, interest in the new product started to develop and I decided to leave The Netherlands Cancer Institute and start my own business. The name "Vitatron" was invented by Dr. Ebeling, who was the first customer and who later became, and is to this day, a member of the Supervisory Board.

In 1961 the University of Groningen had developed a heart pacemaker which was implanted in 1962. In close contact with the University we worked on the further development of the pacemaker and started to explore production and sales. In the early years of pacemaker technology, Vitatron and others in the field had to overcome a number of problems because the human body is a difficult and hostile environment for most electronic instruments. The first pacemakers were comparatively large and functioned for approximately 10 months; they consisted of batteries and discrete components included in epoxy resin. Continuous and considerable technical improvements have been made since 1962 to increase the reliability and life and to reduce the weight and size of pacemakers.

In 1963 I formed the Company and the business was moved from Amsterdam to a factory in Dieren, near Arnhem.

At first, all our sales were made through independent distributors but, by 1967, we felt that we should have closer contact with the market in order to improve product quality, give better service and obtain information to develop new products. In the years that immediately followed we set up sales subsidiaries in Geneva, France and the U.S.A. In England we formed a subsidiary, Vitatron U.K. Limited, for the purpose of manufacturing pacemakers on a small scale. This period marked the beginning of the establishment of Vitatron on an international basis.

Between 1961 and 1978 annual sales increased from D.Fis. 340,000 to D.Fis. 21 million and the number of employees from 10 to 283. Due to the rapid development, Vitatron's working capital requirements increased and in 1973 a group of U.S. investors, which included subsidiaries of Citibank, First National Bank of Boston, The National Bank of Chicago and accounts managed by T.A. Associates, subscribed for approximately 0.75 million of new shares and subordinated convertible loan notes. This provided the foundation for the next phase of development.

In the early 1970s it was realized that the pacemaker industry would shift to hybrid circuit technology which might also have applications for clinical laboratory instruments. The early form of hybrid circuit technology used much smaller components soldered on ceramic plates whereas before discrete components were assembled on printed circuit boards. This was called "tabletop" technology. The realization of which a number were made in a circuit, were accepted in the regulatory commission on the overall plan in the form of an "L". The development of the integrated circuit technology on a chip was seen as an essential requirement for the future progress of Vitatron. The decision was therefore taken in early 1977 to establish a manufacturing subsidiary, Vitatron Inc., for the production of semi-conductors and components in San Diego, California, to sell Vitatron's demand for long life and high reliability micro-circuits. The skills and technology available in California were important factors in the location of this subsidiary.

PRESENT BUSINESS

The activities of Vitatron are now organized into two principal divisions as follows:

The Medical and Semi-Conductor Divisions

The Medical Division comprises activities relating to the development, manufacture and sale of pacemakers, electrocardiogram and test equipment. The latest generation of pacemakers has been considerably reduced in size. Near future activities have become available to enable the entire pacemaker to be contained in a hermetically sealed titanium case. Considerable attention has also been paid to the development of automatic defibrillators. In this field the Division's designs are highly advanced. The product developed most recently is a programmable pacemaker which is currently in development. This is a programmable pacemaker which is currently in development. It is currently in development. It is currently in development. It is currently in development.

The Semi-Conductor Division, which is a sub-division of the Medical Division, is based in San Diego and is primarily engaged in the development and manufacture of micro-circuits. Technical developments in this field have been particularly rapid. During the complete production process Vitatron's inspection procedures are carried out according to the U.S. Food and Drug Administration's "Good Manufacturing Practice". The Division is currently undertaking joint research in micro-circuits with The University of California, which is a world leader in this field. At the same time Vitatron is studying the possibility of establishing a diffusion centre which will enable the Division to manufacture high reliability micro-circuits for both medical instruments and other applications. By these very means, low energy circuits improve reliability and then chips are able to meet demanding specifications and will, like the Division's existing products, have exceptionally low current consumption. They will provide us with a 100 per cent. carry out our development in a shorter period of time. These capabilities should provide a strong base for direct external sales from this Division.

The Scientific Division

The Scientific Division comprises the manufacture and sale of clinical laboratory instruments. This Division manufactures a range of small photometers and a medium size clinical analyser for the requirements of private and hospital laboratories. During 1977 the

Division's main product, the P.A. 600 programmable blood analyser, was introduced successfully and in 1978 has achieved a penetration of approximately 15 per cent. of the West European market. Future development plans are centred around a micro-processor control system and modules. This will enable the Division to produce further clinical laboratory sales opportunities and provide the groundwork for new fields such as blood chemistry, and to enter the larger industrial markets.

Turnover

Vitatron is now represented in 48 countries by 71 sales offices and 66 distributors. Its turnover in 1978 was split geographically as follows:

Germany	22%
France	16%
U.K.	14%
Italy	9%
Spain	8%
Sweden	8%
U.S.A.	5%
Rest of the World	2%
Total	100%

The breakdown of turnover and profit between the Divisions in the first six months of 1979 is as follows:

	Medical and Semi-Conductor Division	Scientific Division	Total
Sales	76	25	100
Pre-tax Profit	28	21	49

TRAINING RESULTS

In the five-and-a-half years covered by the Accountants' Report (set out in Appendix D) sales have almost doubled. Pre-tax profits have shown an even faster rate of growth and the audited Accounts for the first six months of 1979 indicate a particularly encouraging trend. Seen over the period of years, Vitatron has shown, in my opinion, a very satisfactory record of growth in sales and profits. I have drawn your attention to the results because for the last year ending 31st December, 1978, which incorporates the audited results for the six months to 30th June, 1979, which is set out in Appendix A.

The period covered by the Accountants' Report does comprise, however, of certain years of faster growth and others of a less successful performance. In particular, two points deserve special comment: the year 1976, and the profit margins achieved during each of the six accounting periods.

The results for the year 1976 were affected by Vitatron's difficulty in the latter half of 1977 in obtaining supply sources of certain micro-circuit components to meet the very demanding requirements for inclusion in the latest design of pacemakers. Accordingly, the decision was taken to produce these essential components at the Semi-Conductor Division which was only planned to commence operations in mid-1978. As a result, Vitatron was unable to meet customer demand for pacemakers during the last half of 1976. At the same time the intensity of the considerable cost of establishing the Semi-Conductor Division was increased in 1976 which adversely affected the profit margin. Nevertheless, it was the action which allowed the development of the latest generation of pacemakers on which the future profitability of the Medical Division rests.

With the exception of one year, 1978, which is explained above, Vitatron has improved its profit margin in every year since 1975. This is a result of the decision at that time to exploit the market for the higher-technology products which have a higher profit margin.

SUPERVISORY BOARD

The functions of the Supervisory Board are principally the supervision of and the preparation of advice to the Managing Board. These functions are exercised with a view to safeguarding the best interests of the Company as a whole. The Supervisory Board is wholly non-executive and is elected by the shareholders in General Meeting (See Appendix V).

The members of the Supervisory Board are:

A. Uytendroek (aged 83)—the Chairman. After a long career with IBM he has since held appointments as President of Sperry Rand Holland N.V. and Machine Data Sciences Netherlands N.V. He is now Chairman of the Supervisory Board of the latter and is also a member of the Supervisory Board of other companies at The Netherlands.

P. A. Brooke (aged 60), who is Vice Chairman of Tuckor Anatomy Holding Corporation in Boston and General Partner of L.A. Associates. He is a director of Wing Laboratories Inc. and four other companies quoted on stock exchanges in the U.S.A.

L. C. Ebeling (aged 57), after obtaining his doctorate and working for some years in laboratory research he has experienced the laboratory of several hospitals. He is currently head of laboratory work at the Dierck Hovek Hospital in Dordrecht.

C. Schokking (aged 70), after a long career in banking, including appointment as Deputy Managing Director of the Netherlands Overseas Bank N.V. in Amsterdam, he is now in Amsterdam.

D. J. Tansman (aged 52) has been appointed to the Supervisory Board, with effect from 1st November, 1979, to replace C. Schokking who will retire as a member of the Board in 1980. D. J. Tansman is a Registered Accountant and has held financial appointments in Royal Dutch/Shell, Cadburys and Indesluis Handelshandel Holland. In 1974 he became Vice-President of the Belgian International Fashion Group.

It is proposed that, following the placing of the Ordinary Shares on The Stock Exchange, a U.K. resident be appointed to the Supervisory Board.

MANAGING BOARD

The active management of the Company is in the hands of the two members of the Managing Board.

A. H. Eikmans (aged 54), is the Managing Director and has been a member of the Managing Board since the Company's incorporation.

W. G. van Keimpeema (aged 60), he joined the Managing Board as Financial Director on 1st January, 1979. Prior to this, he had 15 years' experience in international management and Single Entry Marketing Inc. in Amsterdam, an associated company of one of the largest Dutch shipping companies.

مكزامن الاحملى

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The senior management of the operating divisions is as follows: Medical and Dental... Scientific Division... On the whole, the year of the management has been with Vitecon for a considerable period of time...

EMPLOYEES: Currently there are approximately 440 employees, of which some 310 are in The Netherlands and 130 in other countries...

Under Netherlands law, every employee with 100 or more employees is obliged to form a Works Council... Under Netherlands law, every employee with 100 or more employees is obliged to form a Works Council...

PREMISES: Vitecon's Head Office and central manufacturing installation at Dieren near Arnhem... Vitecon has knowledge factory and office premises totalling some 20,000 sq. ft. in San Diego, California...

WORKING CAPITAL: The members of the Managing Board are of the opinion that, taking into account the proceeds of the issue and the bank and other facilities available, Vitecon has adequate working capital for its present requirements.

PROFITS AND PROSPECTS: For the six months ended 30th June, 1979, the audited turnover was D.Fls. 28.5 million and profit before taxation was D.Fls. 2.7 million...

DIVIDENDS: It is the intention of the Company to pay dividends equivalent to a gross yield of approximately 6 per cent based on the issue price...

EXCHANGE CONTROL AND TAXATION: I am advised that, upon filing being granted, the D.Fls. 0.25 Ordinary Shares of the Company will be treated as "foreign" securities...

THE LONDON LISTING AND PLACING: Since its early development Vitecon has always had an international outlook with a high level of overseas sales...

ACCOUNTANTS' REPORT: The following is a copy of the report of the Managing Board of Vitecon N.V. and Gildy Breda Limited received from PwC, Marwick, Mitchell & Co., Auditors and Proprietary Accountants.

PROFIT AND LOSS ACCOUNTS: The summarized consolidated profit and loss accounts of the Group for the period covered by this report are as follows:

Table with 5 columns: Year ended 31st December, 1974, 1975, 1976, 1977, 1978. Rows include Sales, Cost of sales, Profit before taxation, etc.

BALANCE SHEETS: The summarized consolidated balance sheets of the Group and of the Company at 30th June, 1979 are as follows:

Table with 5 columns: Year ended 30th June, 1974, 1975, 1976, 1977, 1978. Rows include Fixed assets, Intangible assets, Current assets, etc.

Table with 5 columns: Year ended 31st December, 1974, 1975, 1976, 1977, 1978. Rows include Current liabilities, Long term debt, etc.

Table with 5 columns: Year ended 31st December, 1974, 1975, 1976, 1977, 1978. Rows include Shareholders' Funds, etc.

Table with 5 columns: Year ended 31st December, 1974, 1975, 1976, 1977, 1978. Rows include Depreciation and amortisation, etc.

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17

THE ARTS

Leicester Haymarket

An Early Life

by MICHAEL COVENEY

Having seen only the odd five minutes of Frederic Raphael's TV series *The Glistening Prizes*, I approach a stage adaptation of part of it in a state of virtual objectivity. The hero, you remember, is a Jewish classical scholar, Adam Morris, who goes up to Cambridge in the early 1950s. Jonathan Miller once declared that, although he was Jewish, he was not a Jew. He did not go the whole hog. The same could be said of Adam, who dismisses the mumbo jumbo of orthodox but is violently sensitive to anti-Semitism among the English gentry.

Adam is assigned to rooms in Trinity which he is to share with Donald, a hearty Christian with a home in the country and an uncle who found Goering a sociable chap. The action unfolds as an examination of Adam's uneasy but robust friendship with Donald. It is tested when he walks straight into a genteel outburst of anti-Semitism at Donald's home. But the offending Lady Frances binds Adam to his duty by Donald when it is revealed that her son is dying of leukaemia. Donald is wavering spiritually, as well, for Adam has exerted a strong influence in Cambridge of logic, free thought and the devastating

statistics of the Kinsey Report. While Donald grapples painfully with the challenge to accepted values, the mercurial Adam is sexually liberated by Barbara (Pippa Guard), a trainee teacher presented in stark relief to the stone-walling tease of the girlfriend back home, used by Adam and Mr. Raphael as yet another symptom of repressive Jewish mores.

Within this dramatic framework, the writing bustles in Mr. Raphael's characteristically smart fashion: the tease is informed by Adam that, while Oxford may be the city of dreaming spires, Cambridge is the city of perspiring dreams: a student colleague, on snrming that simultaneous orgasm with Barbara is "coming later" is reminded by the silver-tongued Adam that, no simultaneous orgasm is "coming together."

There is not quite so much steely precision about the stagecraft. Michael Meacham's production grapples manfully with the problems, but has to resort to an awful amount of trundling sets and snippery, inconsequential scenes. Donald's onset of sudden black-outs, for instance, is needlessly over-emphasised and, at the beginning, Adam's outrage at a

chaplain's anti-semitic remark should not need two scenes, one in chapel and one in a house-master's office, to register. When the stage is at last fully used—in Lady Frances's drawing room and, finally, in a church in Rome where Adam and Barbara lament Donald's death in a startling evocation on a bare stage of stained-glass window, candles and penitential echoes—the effect is stunning.

As Adam, Malcolm Sinclair turns in a really marvellous performance. Less languid, more volatile than his TV predecessor, Tom Conti, Mr. Sinclair combines a clipped and self-conscious mode of delivery with a real depth of passion. It is a lithe and accomplished piece of work that is not at all disgraced by the detailed contributions of Geoffrey Burridge as the doomed room-mate and Pippa Guard as the girlfriend.

Pamela Lane is excellent as Lady Frances, horrendous but peculiarly sympathetic, and there is suave support from Gerald Sim as her clerical brother. No Catholic priest, however, would discard his dog-collar in favour of tweeds and neck-tie. That blunder apart, Anne Lodge's costumes are nostalgically accurate.



Geoffrey Burridge, Pippa Guard and Malcolm Sinclair

Television

What happened to the well-made play?

by CHRIS DUNKLEY

Every time a new season of *Play for Today* starts on BBC1 the cry goes up: How long can the single play last on television? The answer, judging from the first of the series which started last week, is: Not all that long, even though the BBC has taken on the highly successful ex-Nottingham Playhouse director Richard Eyre as producer. And the reason is that for the last ten years or so television's single plays—with rare exceptions—have been moving further and further away from what viewers actually want to watch.

Last week's opener was in many respects typical of what we have come to expect of the on-off TV play. Called *Long Distance Information* it was a slice-of-life which sought to give us the feel of a particular existence; that of an ageing disc jockey obsessed by the music of Elvis Presley and by anything else connected with the singer, right down to the decoration on his wedding cake. The sole dramatic event in the play was the death of the rock hero.

Written by Neville Smith who also played the central role of the named hero, the play was in its own terms (presumably) successful in that it did manage to convey an idea of one appallingly limited and therefore terribly sad life. Parenthetically it told us a little about the character of Chris's former wife, just as little about his supposedly clever daughter, and equally little about his girl friend who was also the production assistant on his regular local radio show.

(Incidentally Stephen Polakoff can take the credit for pushing local radio presenters into the centre of current drama by writing *City Sugar*. The idea has been borrowed not only in *Long Distance Information* but also for a whole new BBC1 series called *Shoestring*.)

Technically the Elvis play was very nicely done: Stephen Frears' direction in the radio studio and dinner party scenes was subtle and telling. Furthermore, Smith and Frears both benefit from a virtue which is widespread in British television yet tediously absent from almost all European television and, surprisingly, from quite a large number of American programmes: the realisation that audiences now live in a post-corduroy age and don't need any less linking passages showing car journeys, people going through doors, and so on. We can all accept jump-cuts now, even if *Face To Face* is proving that the great Ingmar Bergman has failed to notice the fact.

Long Distance Information had its merits. Yet it did inspire again the question: What has happened to the well-made play?



Scene from 'Long Distance Information,' the first drama in the new Play for Today series.

Second, most of the crowd of youngish writers who have been working for television in the last 15 years have been leftward-leaning and may well have felt the very concept of the WMP was embarrassingly middle-class and passé. After all, they are separated from the Coward/Rattigan tradition only by the British new wave of Osborne, Pinter, Wesker and so on.

Yet early on in his career Pinter was writing directly for television, and that brings us to the third point: television's standing as a drama medium is of much less significance now than it was in the early and mid Sixties. At that time our best young (and not so young) talent was only too eager to work for such a modern and

vital medium. Tom Stoppard's first play, *Enter a Free Man*, was first produced on television. Now he works almost entirely in the theatre and when he does write a rare TV play (*Professional Foul*) it is a red-letter day, and the work shows up the other contemporary television plays for what they are.

Television has been impoverished by the movement of drama's centre of gravity back into the theatre, and even into radio. Listing the reasons for the move would take another article, but it surely had a lot to do with television's loss of nerve and the steady capitulation to the cleaner-uppers. Such a retreat would have been expected to leave television better and not worse disposed towards the conventional and therefore towards the WMP. But so much of the talent capable of giving us really worthwhile WMPs made itself scarce during the move.

The fourth factor is the undue and malign influence of the barmy minimalist movement, exemplified by most of the work of Samuel Beckett whose *Happy Days* on BBC2 on Saturday was (though it seems scarcely possible) even more tedious and soporific on television than it was at the Royal Court. What is more, with television the travura nature of Billie Whitelaw's virtual monologue, lasting 12 hours, became irrelevant: it could all have been done in dozens of separate takes. Slice of life plays are not all thoroughgoing minimalism of Beckett's sort, of course, but they are well on the way down that eventless road.

Yet I believe that the most important reason for the scarcity of WMPs on television is the existence in the same medium of a vast amount of narrative drama in those forms that television has made its own: series and serials. Here, particularly in the American material, the dynamic of incident referred to above is often allowed to run riot. Last week's *Roots*, for example, had the Ku Klux Klan firing a cross, marching through town, and burning down the Jewish draper's shop; young Haley working through his vacation as a Pullman conductor, discovering agitation for a black trade union and meeting a journalist who paid his way through college—and much more. (*Roots 2* is less eoharrassingly didactic than *Roots 1*.)

The *Lancelot and King Arthur* now running on BBC1 at 10pm on Sundays, is similarly packed with incident, some of it happily honest to goodness. And *Agassi*, which has been quite transformed into the BBC's first twice-weekly soap opera, transmitted on Coruscation *Screen* nights, has dropped the old episodic form of self-contained stories and become even more narrative-conscious thanks to the need for cliff-hanger endings.

Paraphrase later in an endless line of Woman's Own style Cornish cliff-top mansion yarns, is so busy with sequential events that if you check your watch you can miss five years. And *Prince Regent*, judged solely on the evidence of last week's episode, seems not only eventful but unusually ridiculed by some commentators.

In conclusion: the well made play has, in a sense, fallen victim to the well made series. Yet if, like me, you have never believed that television is a proper substitute for the theatre any more than the theatre is a proper substitute for television, that fact will not distress you unduly.

Paris Opéra

Taglioni's Sylphide

Marie Taglioni's appearance as the sylphide, in the ballet which her father made for her, in 1832, is one of the central events in ballet history, rivalled only in importance by the arrival of the Diaghilev Ballet Russe in Paris in 1909. With Taglioni romanticism triumphed. Amid vaporous white draperies, sustained by a brilliant technical apparatus, Taglioni initiated a new image for the female star—decorous, aerial, an illusion dreamed by the romantic consciousness. But, and such is the common fate of ballets, the staging in which Taglioni floated to that pre-eminence which she still retains in the 19th century ballet, has been long lost, as has her particular and lovely style. The *Sylphide* we now know is the Bournonville version, owing nothing save its theme to the Paris creation of four years earlier, and happily preserved through continuity of performance as a precious example of the romantic dance.

In 1972, Pierre Lacotte conceived a television version of *Le Sylphide* which sought to restore something of the Taglioni version. Extensive research, the discovery of choreographic notes, programme material, illuminated both the text which Filippo Taglioni created and the steps which his daughter Marie danced. With Christaine Thesmar as the sylph and Michael Denard as James, the TV production was then acquired by the Opéra, and has this season returned to the repertory again. I saw it on Friday night, and very intriguing it is. Inescapable comparisons have to be made with the Bournonville version, and all are in favour of the Danish master's adaptation. Without false pride he noted in his memoirs: "not only is my ballet completely different from Taglioni's—it even wins the prize as far as dramatic merit

and precision of execution are concerned." True indeed.

In Bournonville's production we admire a dramatic coherence, a sense of proportion and a dramatic vivacity in the conflict of the characters, which are not manifest in this grander, more operatic Lacotte reconstruction. The staging provides extensive and elaborate numbers for Effie's friends, for groups of sylphides, extended pas de deux for the sylph and James, which miss all the impetus and narrative vitality of Bournonville. The merit of Lacotte's researches has been in the evocation of Marie Taglioni's dance style and vocabulary of steps. In this he is much aided by the exquisite dancing of Christaine Thesmar, the sylph of the evening, with Rudolf Nureyev as her James. Thesmar has the sweetness of temperament, the effortless speed and clarity in *otlegro* that every contemporary account ascribed to Marie pleine de grace. It is something of an omission in the staging that there is little insistence upon those floating jumps which made Taglioni seem to her contemporaries to be a creature of the air: in everything else Thesmar seems to drift and poise deliciously in attitudes immortalised by the lithographs of the period. She catches all the caprices of the character, its charming changes of feeling from tears to joy, as also the pretty leaning attitudes of the body, that we know from the iconography of the Romantic ballet. Nor is her reading merely a series of tableaux vivants: she makes the sylph a convincing character as well as an act of stylistic homage.

No care has been spared in seeking to make this reconstruction "like." The original Cicci designs have been revived by Marie-Claire Musson, and look very attractive, notably in the beautiful forest glade of Act 2, with flying sylphs to enhance its mystery. The original Schneitzhoeffer score is there, and, apart from a fine overture, is pedestrian stuff. And as a ballet, the piece sprawls—the evening lasts 2½ hours with one interval—because it so lacks emotional impulse. Its most compelling scene is an interpolated pas de trois from Filippo Taglioni's *L'Ombre* (St. Petersburg, 1839) which was added to the *Sylphide* staging for Taglioni's later performances, in which James is seen torn between the rival demands and attraction of the sylph and Effie. Rattier modern in expression, but ingenious, it misses the innocence which I suspect was a characteristic of the period. Nevertheless, it contains a dramatic tension nowhere else manifest in the evening: we sense how James, as the archetypal romantic hero, is torn between the delights of illusion and the calls of reality. As James, Nureyev produces the kind of virtuosic dancing we have now come to expect from him. Remarkable in its force and nervous intensity, it is given on one note of harsh brilliance, without nuance or dynamic light and shade.

The other principal roles remain ciphers. Whereas in the Danish version, Effie, Gurn, Madge, have remained part of a living aesthetic and interpretative tradition in performance, and have thus acquired an essential dramatic resonance, the Opéra characterisations exist without roots or justification, and lose thereby in emotional effectiveness. Not once could I believe in this Paris staging as a serious comment upon a crucial era in Western ballet. Bournonville can make us believe at all times in a dilemma of feeling, in a crisis that affected not only James, but was symptomatic for many artists of the Romantic age. Which is why Bournonville's *Le Sylphide* lives still as a work of art, and the Lacotte/Taglioni reconstruction is a museum exhibit.

CLEMENT CRISP

Bishopsgate Hall

Roger Marsh

by DAVID MURRAY

Ravel's introduction and Allegro, for harp, flute, clarinet and string quartet, sets a perennial challenge to more recent composers. Ravel, flawlessly realised piece, still the heart of the harp repertoire, prescribes an inconvenient body of players—too many to bring into a solo recital, too few to set into an orchestral concert. What seems to be needed is another work or two for (roughly) Ravel's combination, and a new City Music Society commission from Roger Marsh, heard for the second time yesterday's Delmé String Quartet concert, is evidently aimed at that mark.

Marsh's piece employs Ravel's forces with an extra flute and clarinet. It is called simply *Two Movements*, but "Introduction and Andante" suggests itself at once. The first movement plays very deliberately with a pair of chords, extended from time to time into a longer cadence, in solid and unvarying instrumental colours; the pace is increased—slightly—for the second movement, which presents the harp with some mild declamation in octaves and offers a wider range of evanescent textures. At one hearing, it seemed a competent exercise, perverted content to use the expanded Ravelian band for infinitely less inventive purposes. Even Marsh's loaded introductory chords carried only a fraction of the suggestive tensions of Ravel's prelude, though in theory Ravel's harmonies belong to a more innocent idiom.

The solo harpist was Christina Rhye, no more than efficient in the original introduction and Allegro—she allowed herself a rudely unstylish accent on the last note of each of her opening phrases. The Allegro was excessively relaxed, though Richard Adeney and John McCaw among the supporting players guaranteed sterling support. The Delmé Quartet on their own played early Haydn, the Quartet op. 17 no. 5, comfortably and with some grace.

Talk of the Town

Marti Caine by ANTONY THORNCROFT

Marti Caine looks like a comedienne. With her defiantly red hair topping a long lean body she is the Swan Vesta of humour, quite able to laugh at herself as well as her audience. So more the pity that her talent should be sat upon by the commercial needs of the Talk of the Town.

For better or worse this is probably London's top night spot. Well it is certainly the largest. Its success is built around tourists and there they were on Monday, apparently

quite happy with the 1950s floor show and the computerised food. There is no way in which the assorted foreigners are going to understand the subtleties of Miss Caine's broad Yorkshire humour so she hardly bothers. She is left with a singing voice which is strong but unremarkable and a few dance steps left over from early days at the Carlton. Posthelthwaite at the Academy, Sheffield. She has the intelligence to bewail the limitation in her "Don't Talk, Just Sing" number, but that hardly excuses the wing-clipping,

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Responding to Mr. Brezhnev

PRESIDENT Brezhnev's speech in East Berlin ten days ago clearly caught the West off-guard. The Soviet leader announced unconditional cuts in the number of Soviet troops and tanks in East Germany and at the same time declared a readiness to reduce the number of medium range missile systems deployed in the western areas of the Soviet Union, provided that the west refrained from plans to modernise its own medium range nuclear forces.

Concern

Yet the western response has been varied. The most positive evaluation came from Chancellor Helmut Schmidt of West Germany who, once, and actually welcomed, the apparent continuing Soviet interest in negotiations on arms control. A much more sceptical reaction came from Mrs. Margaret Thatcher who told the Conservative Party Conference in Blackpool last week that the west would be looking very closely at Mr. Brezhnev's speech to see whether it represented the opening shot in a campaign to prevent the NATO modernisation programme, or whether it was "a genuine attempt to reduce tension in Europe." She left little doubt that she inclined to the former interpretation.

The American response has been somewhere in between. Mr. Zbigniew Brzezinski, President Carter's national security adviser, has recognised the Soviet readiness to negotiate, but has also shown concern that this very readiness could persuade some of the NATO allies to come down against the plans to improve the alliance's nuclear forces in Europe.

These variations in the western response are dangerous in that there is nothing to be gained, and a great deal to be lost, from internal squabbles. They are also unnecessary. A close reading of Mr. Brezhnev's speech suggests that there is no incompatibility between a decision in principle to modernise the NATO forces and at the same time to enter negotiations with the Soviet Union on arms control.

It has long been expected that the ratification of SALT 2, if it takes place, will be followed by negotiations on SALT 3. SALT 2 covers purely intercontinental systems owned by the United States and the Soviet Union. SALT 3 would move on to cover medium-range systems in Europe, which was precisely what Mr. Brezhnev was talking about.

For some time there has been a growing disparity between

east and west in this area. The Soviet Union has developed and deployed a new generation of nuclear weapons targeted on Western Europe to which the west has no direct equivalent. In the past year or so NATO has been preparing its own attempt at correcting the balance. It consists of new American weapons to be based in Britain and continental Europe. A NATO decision to approve the plan is due in December.

Yet NATO has also been preparing its own initiative in arms control. An alliance decision to go ahead with the modernisation of nuclear weapons in Europe will be accompanied by a new offer of negotiations with the Soviet Union on arms limitation. Since the new weapons would not be deployed until 1983 at the earliest, that leaves plenty of time for talks which, if successful, could even end the deployment unnecessary. The talks would almost certainly take place within the context of SALT 3.

The Soviet leadership knows this perfectly well. That is why the most reasonable interpretation of Mr. Brezhnev's speech is that it is an attempt to influence the course of the SALT 3 negotiations. Of course, the Russians would prefer the NATO decision on modernisation to be postponed indefinitely, and it would be naive to pretend otherwise. But the important point about the speech is that it contained nothing which would preclude negotiations on the assumption that NATO does decide to modernise. Indeed, as Chancellor Schmidt has observed, any Soviet threats were directed not against a NATO decision to develop the new weapons but against deployment.

Opening

The western response therefore should be straightforward. NATO should approve the modernisation programme in December, but it should also stress as strongly as possible its interest in arms control. It might even take positive steps to encourage its supporters. The negotiations with the Soviet Union will be difficult and they may well fail, in which case the west will have to go ahead and deploy the new systems. But it would be folly to prejudice the talks in advance by regarding Mr. Brezhnev's speech with almost total suspicion. As an opening contribution to what is clearly going to be a difficult debate, it could have been considerably worse. It is up to the west to seek to improve the Soviet offer through negotiations.

Unravelling the NEB

YESTERDAY'S statement by Sir Leslie Murphy, the chairman of the National Enterprise Board, that he will be unable to stand off a number of profitable NEB subsidiaries until the Government clarifies the NEB's statutory responsibilities in its new Industry Bill, is no more than a pin-prick for the Government's industrial policy. Even if there is to be some delay, there is no question that the NEB may have to raise the required £100m by selling its shareholdings in ICL, Ferranti, Fairley and perhaps a few other companies, and Sir Leslie accepts this. But his statement does underline the fact that Government attitude to the NEB may remain unclear even after the Industry Bill is passed.

Conflict

It may be that in their haste to fulfil manifesto promises after their election victory, Ministers gave insufficient attention to the way they wanted the NEB to behave after the asset sales. Selling off the NEB's minority shareholdings in private companies and returning its viable subsidiaries to the private sector is only the first, the easiest, step in unravelling an organisation whose existence conflicts with some of the basic tenets of the Government's philosophy.

The NEB currently has four roles. It is a holding company for lame ducks, a sponsor of high technology enterprises, an investor in small firms and an investment trust for the Government's shareholdings in medium-sized companies. All but the last of these are likely to survive under the new constitution to be proposed in the Industry Bill. To some of the Government's supporters this is disappointing. Obviously there is no alternative to keeping BL, Rolls Royce and Alfred Herbert in the public sector. But the NEB's high technology activities and its involvement with small companies are more questionable. Indeed the Prime Minister herself is believed to be dubious about the wisdom of building up the new electronics companies, which the NEB regards

as its most significant achievement. A decision has to be made soon on whether to commit a further £25m to Inmos, the new microchip manufacturer, in which £25m has already been invested. But there is no guarantee that the next tranche of £25m will be the last investment the Government has to make before it can stand on its own feet. Meanwhile Inmos executives are warning that further delays could jeopardise its future.

Inmos is one part of the Government's dilemma over the NEB. In many ways NEB's results have so far been encouraging to its supporters. Apart from the failures at British Leyland and the continuing cash shortages at Rolls Royce, many of its ventures have been successful. Its returns on capital have not yet approached the average of 15-20 per cent by 1981 that was originally set for it, but they have been satisfactory, bearing in mind the performance of the whole corporate sector. Even in its promotion of small companies it has shown an entrepreneurial spirit that has been lacking in some private sector investment institutions.

Anomaly

Nevertheless, the fact remains that everything the NEB has succeeded in doing, apart from its stewardship of the lame ducks, could, in theory, have been done better, and without the need for public money, by the private sector. Thus the continued existence of the NEB in any form like its present one must be something of an embarrassment for the Government. It is not just that the right wing of the Conservative party is howling for Sir Leslie Murphy's blood; the existence of a public sector institution, whose marginal function is to glorify in the private sector, is a reminder that the Government's inebriated economic survival through private entrepreneurship still depends heavily in hope and faith. If this faith is ever justified the NEB will be an anomaly that will not be allowed to survive for long.

HAS Sir Richard Cave, chairman of Thorn, bid for EMI for that time-honoured motive—because it's there?

The two companies are, after all, very different. Thorn's great strength is in television rentals: it manufactures televisions and domestic appliances of various kinds, it is a leading lamp manufacturer and it has been strengthening its control and instrumentation division. This summer, it bought Syston Donner in the U.S. for £12.5m: the company specialises in the manufacture of industrial controls. Two other attempted acquisitions have so far eluded it—the Florida-based Modcomp, which makes process control equipment, and the French TV central chain, Localat. The first is undergoing examination by the U.S. Securities and Exchange Commission, the second by the French Monopolies Commission. Each of these, successful and attempted, has fitted in with what is seen as its traditional business.

EMI, as Mr. Ian Cole of stockbroker James Capel commented yesterday, is not a logical company. Its record and music publishing business remains its core, but it then branches out into cinemas, bingo and social clubs, dance halls and films. At the other end of the spectrum, it has a successful defence electronics business: in between is its all-embracing medical electronics division.

The spotlight on its problems in recent months has been harsh. The record business, accounting for around half of its sales, has plunged into losses; the medical division, where the revolutionary and award-winning scanner has flagged in a depressed U.S. market; only defence and general leisure remain relatively buoyant.

There is no immediate end in sight to the record division's troubles. British artists are currently less popular internationally than American ones; pirate records, and home taping of discs on music centres, have cut millions from sales. Further, the technology of recorded music is changing: video tape is here, video discs are now being tested, and digital audio discs, offering much better quality, are now moving out of the experimental stage. Few believe that the record business will ever be the same again.

Thorn appears much stronger. The high returns from its rental chains in the UK and internationally have pushed up its cash flow towards the £200m mark. Yet its manufacturing

interests have been less happy: the television industry in the UK continues to show overcapacity, while its domestic appliances have been hurt by strong Italian competition and its lighting and engineering divisions have been stagnant. For some time, it has been evident that it needed to take a strong new direction.

Yesterday's announcement certainly cannot be faulted for its adventurousness. The core of Thorn's plan for EMI—Sir Richard prefers to talk of it as a potential merger, rather than an acquisition—is the music business, the business which EMI appeared willing to sell until, spurred by Paramount which thought that £70m was too high a price, it changed its mind. In essence, Sir Richard wants that business to create a new kind of company: one in which, as he puts it, Thorn's hardware strengths in entertainment will mesh with EMI's software strengths.

The market is, in the current phrase, in-home entertainment. Thorn makes and rents televisions; it also now rents the Matsushita VHS video tape system (camera and playback machine); it is likely to market the Matsushita video disc system, when that comes on the market in perhaps two years' time.

"That is where the synergy is between the two companies," says Sir Richard. "We have been looking at the problem of software for a long time—what do you put into these machines. EMI has it. We can market it."

Visions of video

Thorn's rental chains are, in Sir Richard's words, "underutilised in terms of throughput." The company has visions of the rental shop in the future containing racks of video tapes, video discs, possibly digital audio discs, too—a complete home entertainment centre.

Thorn seems willing to accept the "out-of-home" entertainment side of the EMI, too. "We are getting into the area of dealing with people, and all their entertainment needs," says Sir Richard. He concedes that Thorn has no experience of gauging their dancing, gambling or film-going needs, and intends leaving that to EMI.

So, in answer to the question posed above, EMI is not desired simply because it is there, but because it is there and useful—

By JOHN LLOYD and CHRISTINE MOIR



Sir John Read (left) and Lord Delfont, chairman and chief executive of EMI, have wrestled with their company's plunging profitability. Sir Richard Cave (right), formerly chairman of Smiths Industries, now faces his biggest challenge since taking over the chairmanship of Thorn from company founder Sir Jules Thorn in 1976.

perhaps even essential—for Thorn's future growth. But what of the rest?

Thorn has minor interests only in defence: a small subsidiary does some naval electronic work. But the company has long been committed to moving up the technology ladder: Sir Richard says that to push through such a strategy means that it must have a defence division, because that is where the highest technology is.

The medical electronics business looks the least likely division to remain within a new, merged company.

If the deal goes through—and Sir Richard admitted the strong possibility of counterbids in the weeks ahead—a successful merger of the two companies would be a massive achievement. Capel's Ian Cole commented that the new company would have a shape very like Philips, the huge Dutch multinational. It is an encouraging parallel: the difficulties of creating such a company, albeit on a smaller scale, are not hard to list.

First, the core of the strategy—the creation of an integrated leisure company—will take some years. The new audio/visual technology is not yet proven: even video tape machines have only sold around year (though sales are rising). There are problems of stan-

dardisation in video tape, with three main systems on the market, and the same problems are likely to repeat themselves in video disc. The competition in both—from companies like Philips and Sony—will be tough.

Second, even if the core strategy is successful, a Thorn/EMI company would have to bear continuing low returns on the record business for some years. "The Thorn shareholders will bear the brunt," says Ian Cole. Mr. Peter Minton of Buckmaster Mooce agrees: "Why didn't he just buy the bits of EMI he wanted? He won't need all that record pressing capacity, for example."

Third, Thorn management has yet to be tested in a major new venture. It is Sir Richard's first very large acquisition.

Fourth, any attempt to climb the technology ladder will find that there is much jostling along the way. The defence market is lucrative, but volatile and crowded, especially by successful UK companies. Thorn still has no strength on the computer side—though it is said to be looking hard for acquisitions here—and little on the telecommunications side; most electronic companies on the top rungs of the ladder are in one or the other.

The Government is hardly likely to become closely involved, though it does have a general interest through its microelectronics programmes and various support schemes. First, unofficial reaction yesterday was favourable: a view expressed was that EMI was a much better vehicle for Thorn's cash, while the commitments to moving into higher technology, and retaining the defence interests of EMI, were welcomed.

Such is Thorn's rationale for the bid. But a rationale does not itself ensure success. The bid target has been well chosen. EMI is in a weak defensive position. Its medical electronics side has turned in two years of losses totalling £26m and black clouds over-

hang the future. The music business, which forms the core of the group, is similarly stricken, losing £14.6m between December 1978 and June 1979. Together these two divisions caused pre-tax profits to tumble by 53 per cent to £10.5m on sales of £570m for the 12 months to the end of June.

Clearly, with such enormous unresolved problems, EMI's chances of remaining independent are as slim as those of Spillers, the flour miller taken over by Dalgety last week.

But this does not mean that EMI will end up in the arms of Thorn. The City has been openly listing the potential bidders. They include GEC, Racal and Philips in addition to Thorn. So EMI must be watching the wings and hoping for a contest which will at least squeeze out a better price for its shareholders.

Institutional factor

In this it will gain much comfort from the fact that institutions account for 60 per cent of the equity. They may want out; pension fund holdings have dwindled significantly in the past year.

When advising Dalgety in its takeover of Spillers, Lazard's had to confront Dalgety's own shareholders worried less their company be taking on too great a burden. This time, acting for the defence it may be able to turn similar fears among Thorn's shareholders to EMI's advantage.

Those fears were already beginning to gain ground in the City yesterday. Thorn's main argument for the acquisition—that the British electronics industry must prepare for the home entertainment revolution of the 1980s—does not solve EMI's immediate problems.

Inevitably solutions will be hard to find and the problems could hang about for several

years depressing Thorn's earnings at a time when its own central businesses are struggling in tough trading conditions. The institutions, banks and nominees, who control 74 per cent of Thorn's shares, may not be too happy with the proposed bid terms which, on historic earnings, already mean a dilution of nearly 15 per cent, given poor short-term recovery prospects.

Then there is the fact that Thorn's gearing, from a nominal 10 per cent, would immediately rise to nearer a third, comparing net borrowings with tangible shareholders' funds. And more would undoubtedly have to be poured into EMI. Money is the dowry Thorn brings to this marriage.

On the plus side, from Thorn's shareholders' point of view, is the acquisition of the defence electronics side. Yet overall, a bid for EMI which values the group at £136m compared with a pre-bid value in the market of £105m, may look over-generous to Thorn's shareholders. And they will have to approve this bid before it goes ahead.

EMI's shareholders, on the other hand, may also cavil over the price as it compares with their estimate of the company's worth. Capital employed is £40m, although shareholders funds amount to only £163m less goodwill and net debt is £136m, down £18m from the previous year. But the buoyant businesses, Thames TV, defence electronics and leisure, must be worth around £100m. Paramount, after all, were willing to talk about £70m for half the music side. And the new generation of scanners could have potential given that research costs are coming down.

Thorn is hoping for an agreed bid but EMI is holding tight and advising shareholders to do the same. Yesterday Thorn would not commit itself to withdrawal if agreement was not forthcoming. Nor would it say whether its current offer could hang about for several

COMPARISON OF SALES AND PROFITS

EMI (year ending June 30 1977)			Thorn (year ending March 31 1977)		
	£m			£m	
Music	430	1.9	Consumer electronics	446	72.6
Leisure	146	18.8	Domestic lighting	377	21.1
Television	72	7.8	Lighting	260	14.0
Electronics (non-medical)	177	12.9	Engineering	245	14.4
Medical electronics	44	12.8 loss			
Total	869	28.5	Total	1,324	122.1
Of which, overseas*	476	2.6 loss	Of which, overseas†	250	13.7

* Most of EMI's overseas turnover is in music.

† Most of Thorn's overseas business is in lighting and consumer electronics.

MEN AND MATTERS

Hovering to the dark tower

Like most tourists seeing London for the first time, Chairman Hua of China is making the Tower of London a priority during his visit later this month. Indeed, I learn that he registered such keen interest in the Tower that it is his very first port of call—he is going there by hovercraft from Westminster the morning after he has settled into Claridge's.

A visit to Covent Garden to watch "The Sleeping Beauty" is also pencilled in for the first day, and only after two sessions at 10, Downing Street and one at Buckingham Palace will be making a pilgrimage to the tomb of Karl Marx in Highgate Cemetery. The same day will see a more immediately useful visit to the Governor of the Bank of England and another to the Rolls-Royce aero-engine factories in Derby. The fourth day will see Hua in Oxford, then be off to Italy for the remainder of his European tour.

Well ahead of Hua's arrival, the Foreign Office is marshalling its full contingent of Chinese speakers. The numbers will be swelled by the temporary return of several officials from the Peking embassy.

Verbal decor

More observant readers may have noticed the steady infestation of the language during the last few years by the apostrophe. As any shop window or filling station demonstrates, apostrophes have joined quotation marks as marketing tools—as, for example, in "Half price" or "Potatoes £4.50 for two bags".

In case anyone feels doubtful about meddling with the punctuation in this way, I can reveal that such modifications have been sanctioned by no less an authority than the Institute of



Public Relations. Inviting me to subscribe to its Register of Members for 1980, it boasts that the register includes "telephone, No. 2" and contains reference to "PR practitioner's in over 50 countries."

Perm any four

For years the majority of us have been made to feel inferior by a minority with one advantage—their members can talk knowledgeably about computers. By implication, the future is a mystery from which ordinary mortals are excluded.

Now a document has been carelessly allowed to fall into enemy hands, as it were, by a data-processing man from electronics group Eowthorpe Holdings. It suggests that this wholesale arrogance is built on sand. We glean the idea that computer talk can be mastered by the use of a kit referred to as SIMP (Simplified Integrated Modular Process). The kit consists of four tables of phrases. By taking a phrase

from the first group and linking it with any phrase from the second, then others plucked at random from the remaining two, it is possible to say things which are at once intelligent-sounding and entirely incomprehensible.

Kick off with one of these thoughtful operators: In particular, on the other hand, as a resultant implication, in this regard, based on integral subsystem considerations, in respect of specific goals.

Then see what takes your fancy in Table 2: a constant flow of effective information; the characterisation of specific criteria; initiation of critical subsystem development; the full integrated test programme; the product configuration baseline; the primary interrelationship between system and/or subsystem technologies.

Table 3 goes: must utilise and be functionally interwoven with; maximise the probability of project success and minimise the cost and time required; for; adds explicit performance limits to; requires considerable systems analysis and trade-off studies to arrive at.

A choice from Table 4 completes the sentence: the anticipated fourth-generation hardware; the subsystem compatibility testing; the structural design based on system engineering concepts; the evolution of specifications over a given time period; the philosophy of commonality and standardisation.

"As a resultant implication," one might say, "the characterisation of specific criteria adds explicit performance limits to the evolution of specifications over a given time period."

Political realism

I bear that a businessman in Manila recently received a visit from the notoriously corrupt Bureau of Internal Revenue. After a lengthy perusal of the books, the official informed the

company's accountant of the amount to be charged, explaining that he would take 70 per cent and the government 30 per cent. As it happened, President Ferdinand Marcos launched a clean-up of the bureau the very next day. This involved widespread sackings and resignations.

The inspector did not turn up again for three days. On the fourth day he returned, announcing there had been major policy and procedural changes in the tax department. As a result, he said, the government would now receive 70 per cent, and he would have to content himself with 30 per cent.

Faith in numbers

Forecasts of dwindling profits have in no way halted the "numbers game" among more affluent car owners. In Hull an 11-year-old firm called Car Marks ("people think it's Karl Marx—a good opening gambit") has lately expanded out of all recognition. It is installing a £10,000 computer, to match up estimated 5m egocentrics with "suitable" number-plates.

"The prices have gone silly," says one of the partners—called Marks; he tells me that the highest price he has got so far for a number-plate is just under £10,000.

As Car Marks points out few people seem immune to the name-plate mania. If it was that long ago, says the man from Car Marks, the price was probably "a pittance." The Salvationists might like to know, however, that it has become more valuable with age, being a 1920's registration; the man from Car Marks assures me 101 is a good number. The market value, around £850.

Observer

No director can demand 4-star service from a 2-star office

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مكتبة التجميل

A questionable discipline in pay bargaining

ONE VITAL piece is still missing from the jigsaw of economic policy that Ministers have been painstakingly putting together over the past six months. So far the Government has got no further than any of its predecessors in working out a policy on pay in the public sector.

Of course pay in general has been Britain's knottiest economic problem for years. But, for the private sector, Ministers at least believe that they have found a coherent solution. Tight money and a strong exchange rate are expected to force private employers to stand up to unreasonable pay demands from their workers, or to go under. This policy may rest on a number of tenuous assumptions—that the availability of credit determines a company's ability to pay its wage bill and that competition is strong enough to prevent wage increases being passed on in higher prices. But at least it is possible to sketch out a theoretical model in which the policy might work. For the public sector, there is no such consolation.

The first clear indication of the Government's approach to public sector pay came last week in a series of letters which Ministers sent to the nationalised industries they oversee. While steering well clear of any explicit statements about the desired level of pay increases, the letters stated that, in setting cash limits for each industry's borrowing next year, the Treasury would assume that unit labour costs will rise by no more than the expected rate of price inflation between this financial year and the next.

Already there has been widespread criticism of this policy. It has been claimed that it is a thinly disguised return to the last Government's incomes policy, that the rate of increase chosen is unduly high and even that it will encourage unions to expect wage rises based on inflation for the year past (expected to peak at over 17 per cent),

rather than over the coming year (when the rate should be under 15 per cent, according to Treasury forecasts).

But the main objection to the Government's apparent faith in cash limits is that they are the wrong tool for controlling wages. Trying to influence wage bargaining in the nationalised industries with cash limits is like trying to tighten a screw with a spanner.

Cash limits were designed for controlling public spending, not wages.

But a confusion about their effectiveness in controlling wage bills has crept into the Government's thinking. In the Civil Service itself, there is little distinction between public spending and spending on wage bills. So, for the Civil Service, strict cash limits are more or less equivalent to statutory pay norms. Unfortunately, it is in the nationalised industries—which provide the country's basic services—that the hardest pay battles normally have to be fought. Cash limits control only the levels of borrowing. So their effect on wages is indirect, at best.

Assumptions

Cash limits were introduced to ensure that public spending plans, which are initially set in "real" terms—without regard to price and wage inflation—did not get out of control if there were an unanticipated upsurge in inflation. So every year, after the Treasury analysed the "real" spending plans of government departments, local authorities and nationalised industries, it translated these into "money" terms, on the basis of its own assumptions about the prospective rate of inflation.

Once cash limits are fixed they should, in theory, be adjusted only if there is an emergency that neither the Treasury nor the spending authority could have foreseen. The reason for the irrelevance

of cash limits to nationalised industry pay bargaining is that only the nationalised industries' borrowing, and not the whole of their spending, is included in the definition of public spending. So cash limits do not apply to the industries' wage bills, but only to the difference between their investment needs and their ability to generate internal finance. In fact nationalised industry managers refer to them as limits on external financial requirements (EFRs).

Of course the policy of including only the borrowing of nationalised industries in cash limits is not just an accident. It is supposed to reflect the freedom of nationalised industries from day-to-day political interference. The relationship between nationalised industries and government is still far from clear, but for the past 10 years it has been accepted that nationalised industries should behave, as far as possible, like commercial enterprises, with only their general policies and medium-term financial targets set by government. So it is logical to apply the direct control of cash limits only to their borrowing, which explicitly affects fiscal policy and which is organised by the Treasury.

Cash limits operated fairly successfully while they were applied for their intended purpose of controlling nationalised industry borrowing. Since 1976 there have been no serious breaches of cash limits, although there have been a few adjustments to reflect increases in subsidies between the annual review, and nationalised industry borrowing has been sharply reduced. But in the current year, a conviction has spread in the nationalised industries that "there will very soon be cracks in the cash ceiling," in the words of Sir Peter Parker, a chairman of British Rail. The reason for this is that last year, in its desperation to find a substitute for its voluntary five per cent pay norm, the Labour Government decided

CASH LIMITS ON EXTERNAL FINANCE FOR NATIONALISED INDUSTRIES

Industry	1976-77		1977-78		1978-79		1979-80
	Limit	Outturn	Limit	Outturn	Limit	Outturn	
National Coal Board	289	316	376	328	625	607	709
Electricity (England & Wales)	350	49	180	13	-75	-104	-48
British Gas	-36	-204	-248	-495	-172	-429	-449
S.N.O.C.	300†	218	279†	192	259†	270	115
British Steel	950	946	950	806	875	752	700
Post Office	335	216	-30	-138	-33	-86	-110
British Airways	113	17	71	70	59	56	172
British Rail	609	501	685	532	646	619	715
British Aerospace	—	—	—	—	12*	48	53
British Shipbuilders	—	—	—	—	83*	118	250
Total (including other industries)	2,145	2,243	2,404	1,674	2,577	2,014	2,328

* Cash limits subsequently adjusted. † Forecasts—limits not imposed until 1978-80. Source: Financial Statements and Budget Reports 1976-78; Government Expenditure Plans, 1979.

to try cash limits as a discipline on the public sector. Cash limits for 1979-80 were set on the assumption that prices would rise by 8.5 per cent and wages by 5 per cent.

The results provide no encouragement for the present Government's efforts. Where they could have been effective, in central government a local authority spending, cash limits were unceremoniously abandoned, with promises of revisions to allow for pay "comparability" studies on civil servants, teachers and health service workers. In the nationalised industries the original cash limits were retained, and even tightened, by the incoming government. But they had no apparent effect on pay settlements, which were running at over 17 per cent by the end of the last pay round.

It is worth investigating in detail the way that nationalised industries can respond to a squeeze from cash limits in order to gauge the likely consequences of the present policy. By 1978-79 cash limits were already beginning to restrain quite seriously the industries'

borrowing ability. Although, as the table shows, aggregate borrowing was 78 per cent of the maximum level permitted by cash limits compared with 61 per cent in 1977-78, the real problems were more serious for some industries. Excluding British Gas, which notched up enormous profits in a year of oil shortages and freezing temperatures, the other industries had only 11 per cent headroom below their cash limits and the National Coal Board and British Rail borrowed respectively 87 per cent and 96 per cent of their maximum allowances. Clearly these industries and British Steel, which has had its cash limits cut in anticipation of its promise to break even by 1980-81, will be hard pressed to get within this year's borrowing limits.

Obviously the hope is that cash limits will impose a regime of strict cost control, but even if this option is accepted, management can cut costs by reducing output as well as by improving productivity or taking a firm line on wage claims. In reality, even with the best will in the world, it is usually im-

possible to raise productivity substantially within the duration of a cash limit, which is a single financial year. Redundancy payments certainly have to be avoided, as do strikes, which, in most nationalised industries, affect cash flow adversely because of the industries' enormous overheads. So if costs have to be cut in response to a cash shortage, it is most likely that the quantity or quality of output will be reduced, without any reduction in the labour force. Thus the ultimate response to excessive wage settlements may well be a reduction in productivity, rather than an increase.

In fact, nationalised industries are more likely to try the two other routes—cutting investment or raising prices—when they foresee a cash crisis. Which way they will choose depends on whether they are monopolists operating in domestic markets where price has little effect on demand, or internationally competing industries.

In the monopoly industries it is easy to respond to a cash shortage, simply by raising prices. Clearly this was recognised by the incoming Govern-

ment in the June Budget, when it lopped £320m off the nationalised industries' cash limits, as a contribution to the lowering of the Public Sector Borrowing Requirement. There was no announcement about plans to cut investment expenditure. The pious hope was expressed that the cuts in cash limits would be absorbed by cost reductions, but the fact that all but £15m of the cuts were concentrated on the energy industries, which were in a particularly strong position to raise their prices suggested that the Treasury was well aware of economic realities.

Lame ducks which foresee a collision with cash limits normally have no choice but to cut back investment. Indeed both British Steel and British Shipbuilders have explicitly stated that cash limits had forced them to delay or cancel investment plans. British Steel's apparently creditable achievement of staying well within its cash limits during the past two years, despite dreadful losses, was due largely to overestimates of its investment by £168m in 1977-78 and by £172m in 1978-79. Of course, cash limits were not the only reason for reductions in British Steel's investment. But it is hard to resist the suspicion that cash limits may have led to over-estimates of investment needs. What is most alarming to management is that as trade union understanding of cash limits grows, the excessive provisions for investment may come to be regarded as available for paying wage bills.

Management's attitudes to cash limits clearly depend on the ways available for their industries to respond. For the financially powerful monopoly industries, the limits merely impose an irritating myopia that vitiates long-range planning and increases political interference in their pricing decisions. While the case for cash controls is accepted, it is argued that a system of cash targets (rather than limits), with provision for carry-over between years, would be easier to reconcile with strategic planning. The other industries complain more frequently that the cash limits are set at arbitrary levels, are subject to frequent reductions without consultation and leave insufficient headroom for their investment needs. It is however, accepted that this is inevitable when the Government is determined to cut public borrowing as a whole. What nobody seems to believe is that cash limits will make much impression on unions which are well aware of the many ways in which money for the wage bill can be found.

Hardest bite

But where cash limits seem to bite hardest is in the industries that are determined to invest right up to the limits permitted by their market strength and their borrowing ability. British Rail, British Airways and the National Coal Board are all engaged in vast investment pro-

grammes, which are undoubtedly desirable on commercial grounds. But they do not have the market power of the gas, electricity and telecommunications industries. So far the NCB has been fortunate in having its cash limits adjusted to allow it to proceed with its investment programme, despite high wage settlements. British Airways has complained publicly that its corporate plans have been upset by cash shortages and one of the advantages claimed for its planned nationalisation is that "its investment programme will no longer be muddled up with the level of the rate support grant." At British Rail, however, further cuts in the standard of service and in the rate of equipment renewal seem inevitable if it is to avoid breaching the 1978-80 cash limits.

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Letters to the Editor

Differing trends

From Lord Kolder
 Sir,—lo your issue of last Thursday (October 11) you give an account of the latest monthly Progress Report of the Treasury and reproduce a table on the share of profits in value-added in UK industry in comparison with other countries.

An analysis of the figures published in the latest (1979) edition of National Income and Expenditure by the Central Statistical Office shows that these figures are highly misleading, both as to the trend of profitability of British industry and in their explanation of the causes of such fall in profitability as had occurred. For this purpose the CSO figures as given in Table 1.1 and Table 3.1 are reproduced in the first two columns of the table, while in column (3) the share of net value-added—on a comparable definition to that of the Treasury report—is shown on the basis of the latest CSO estimates.

Year	Gross operating surplus		Net operating surplus
	(1) Including Stock appreciation	(2) Excluding Stock appreciation	
1968	32.7	30.8	22.7
1969	33.1	30.8	22.5
1970	32.0	28.7	19.5
1971	31.6	28.8	19.2
1972	32.5	28.8	20.4
1973	34.9	29.2	19.7
1974	35.5	24.3	13.1
1975	31.2	23.4	11.8
1976	33.7	26.0	14.5
1977	34.5	27.7	18.7
1978	35.0	28.3	18.2

Definitions—industry and transport defined as mining and quarrying, manufacturing, construction, gas electricity water, transport, communication.
 1—Gross trading profits of companies plus income from self employment plus gross trading surpluses of public enterprises as a proportion of gross value added.
 2—Defined as for (1) after deducting stock appreciation.
 3—Net after deducting (2) capital consumption at current prices both for value added and profits.
 Source—CSO National Income and Expenditure (1979 Edition) Tables 1.10 3.1 and 11.3.

It is evident from column (1) figures are produced on the definition of Columns (1) and (2) as well as that of Column (3). Nicholas Kaldin, King's College, Cambridge.

A comparison of columns (2) and (3) shows, however, that there was an increase in the share of capital consumption in net value-added from 11.8 per cent in 1968 to 15.6 per cent in 1977. Such an increase cannot occur merely as a result of inflation except when the inflationary process causes the prices of capital goods to rise faster than the prices of other goods and services. This is indeed confirmed by the C.S.O. estimates which show that the price level of investment goods had risen between 1968 and 1978 by 20 per cent more than output prices in general. While the causes of this differential increase remain to be investigated, the sharp rise in the price of raw materials and energy may have been far more important than any differential rise in wages in the capital goods sector.

For these reasons the comparisons with other countries (the derivation of which is not explained in the Treasury report) cannot be taken as an indication of comparative movements in profitability until comparable

more than electrical heating in the home on the argument that 72 per cent of power station energy is wasted, before electricity reaches the consumer is seriously misleading. It misleads, first, because once electricity is generated, the consumer heating appliances convert it to heat with very high efficiency—far higher than the efficiency—with which gas heating equipment utilises gas. It misleads, secondly, because the types of fossil fuel used to produce the great majority of electricity in this country have limited usefulness other than for electricity generation. The coal has a very low calorific value, the oil is a residue that is difficult to handle, and both require exceptional designs of boiler for their efficient use. Incidentally, the thermal efficiency of fossil fuel generation has been increasing recently. Not only, therefore, does the generation of electricity from the fossil fuels actually used mean that some of the country's energy resources that might otherwise be little used are put to increasingly efficient use, but also the use of electricity for heating means that energy is utilised at the point of consumption with highest efficiency.

You should also bear in mind that many people prefer heating by electricity to heating by gas and the energy to the market system is that they should be able to exercise their preference in the light of soundly-based pricing of the alternatives.

RAF base as an airport

From Mr. J. Baker
 Sir,—Mr. Paxton (October 10) raises the question of the suitability of Thorne Moors as a site for a major airport. Just to the south of Thorne Moors are two RAF airfields, those of Funningley and Lindholme. RAF Funningley already has one of the longest runways in the country, built at considerable cost for the V-bombers, now comparatively little used by smaller aircraft.

Visitors to Europe will be familiar with the practice of numerous European airports of shared usage by civil airlines and the Air Force of the country concerned.

When will Britain come to its economic senses and copy this practice, then we can have a new airport that we can afford?

RAF Funningley satisfies all the requirements and comments made by Mr. Paxton, at a very small cost of development, not to mention the time-saving that accrues.

Christopher J. Baker, Manor Cottage, Grazeley, South, Yorks.

Late tax payments

From the Managing Director H. V. Shan
 Sir,—I was most interested to read the article by David Wainman (October 6) concerning "Interest on late tax payments." What the article omitted to refer to is the fact that the Finance Act (No. 2) 1975 stipulates that no matter which party is at fault, a charge to interest cannot be avoided. This means that mistakes made by the Inland Revenue, and which cause delay in settlement, in no way affects the charges for interest.

A further point that may not be known generally is that if a taxpayer is in dispute with the Inland Revenue as to the amount due, say in respect of interest on arrears of tax, the taxpayer must apply to the Revenue authority for permission to delay payment!

I might add that in my own particular case I have been able to show that an initial claim for payment by the Revenue authority was not received by me, and the second application ultimately came to hand after being addressed totally in error by the Inland Revenue to another town in the West Midlands. In spite of this, an interest charge was debited to me and so far I have refused point blank to effect payment, although it seems that the law is purely one-sided, thus removing another pillar from our so-called democratic institutions. H. V. Shan, 425-433, Stratford Road, Shirley, Solihull, West Midlands

Shareholder power

From Mr. A. Hutchins
 Sir,—The news (October 10) that Mr. Alan Bartlett, chairman of Newman Industries, plans to sell his remaining holdings in the company in order to meet the costs of his legal representation in the action brought against him by the shareholders, highlights an extraordinary exercise of power by a minority shareholder.

Prudential Assurance has claimed to be bringing this action on behalf of all but two of the shareholders of Newman Industries. Yet as far as can be discovered, the other shareholders have not been consulted on this matter and have not given their support to it. On the contrary, it is known that there are some who repudiate any association with the action. They fear it may be damaging to the company and to their interests. Newman Industries has now been placed in a predicament under the continued chairmanship of Mr. Bartlett during the last four years since those events took place on which the legal action is centred. During all this time no proposal has been made to shareholders, not even by Prudential Assurance, that Mr. Bartlett should be removed from the office of chairman of Newman Industries.

It would be difficult to deny that the efforts of Mr. Bartlett have contributed greatly to the progress of the company. But now that the legal case demands more and more of his time and money, he can devote less effort to the company and, as the Financial Times reported on July 28, the chairman can no longer be sure whether the company can maintain its 1978 trading performance.

All this raises wide implications. Under company law there exist opportunities through company meetings and ballots for ascertaining the wishes of a company's shareholders. It is extraordinary that a minority shareholding should both be able to ignore these channels, while claiming to act on behalf of shareholders, and to run the risk of damaging a company's interests, while the views of the majority of shareholders remain unheard. Arnold E. Hutchins, Longmoor, School Road, Hurst, Berks.

GENERAL

UK: Sir Michael Edwards, BL chairman, seeks support from company's Board to ballot 164,000 strong workforce on plan for plant closures and redundancies.

Monthly council meeting of Confederation of British Industry.

Annual meeting of British Standards Institution, 61, Green Street, W1, 3 pm.

Dr. A. Kopeck, Polish Minister of Machine Building Industry, speaks at Birmingham Chamber of Commerce during Polish technology week in the UK.

Mr. Peter Walker, Minister of Agriculture, addresses Dairy Trade Federation annual luncheon, Dorchester Hotel, London.

Mr. Norman Fowler, Minister of Transport at Society of Motor Manufacturers' seminar on customer service, Café Royal, London.

Lord George-Brown speaks at American Chamber of Commerce luncheon, Savoy Hotel, London.

Queen attends Metropolitan Police 150th anniversary Tattoo, Wembley.

Today's Events

Overseas: Chairman Hua Guofeng, of the People's Republic of China, in full session of talks with President Valéry Giscard d'Estaing in France.

Three-day Financial Times conference, Brazil—the Outlook for the 1980s, opens in Rio de Janeiro.

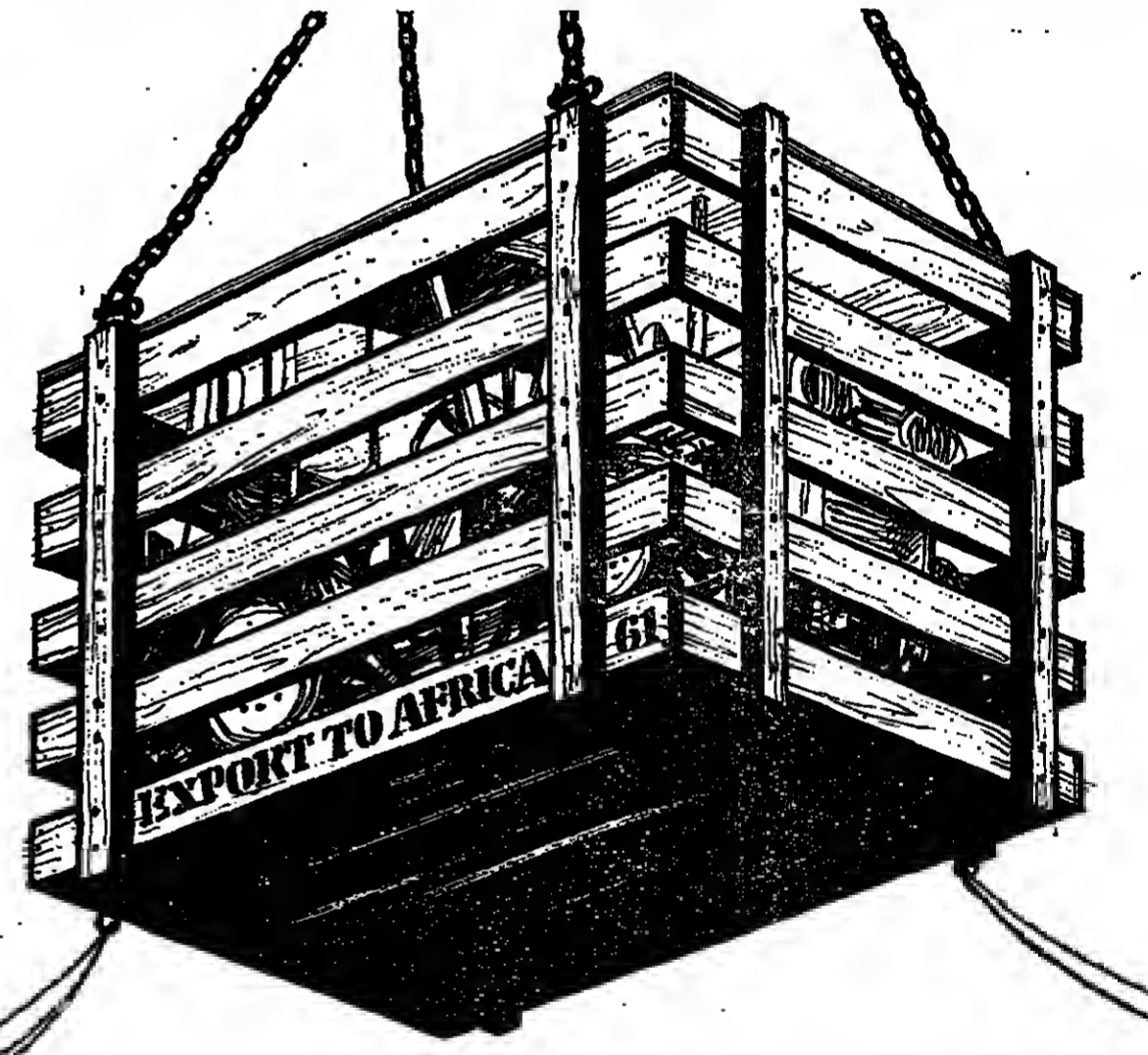
OFFICIAL STATISTICS
 Basic rates of wages and normal weekly hours (September). Monthly index of average earnings (August). Cyclical indicators for the UK economy (September).

COMPANY RESULTS

Final dividends: Kalamazoo, Sun Life Assurance. Interim dividends: British Home Stores, Dupont, Hunting Associated Industries, Jessel Toynebe, Selincourt, Smith St. Aubyn (Holdings).

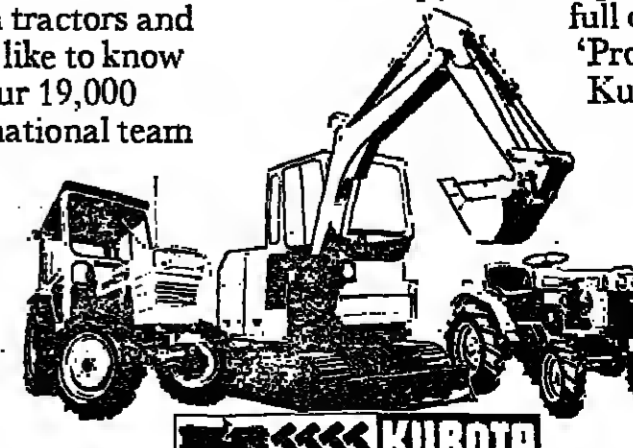
COMPANY MEETINGS

Christie-Tyler, Angel Hotel, Cardiff, 12. Robert M. Douglas, 895, George Road, Erdington, Birmingham, 12. Pifco, Winchester House, EC, 12. Waring and Gillow, Halfam Tower Hotel, Sheffield, 12. Wholesale Fittings, Great Eastern Hotel, EC, 12. Wylham Engineering, Hurman Street, Cardiff, 12.



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UK COMPANY NEWS

Companies and Markets

Marks & Spencer sees good second half rise

DESPITE DISAPPOINTING sales in the second quarter, results of Marks and Spencer show an improvement in the first half year ended September 29, 1979, and good increases in sales and profits are expected during the second six months.

Total group sales (excluding VAT and other sales taxes) rose from £688.19m to £766.8m in the first half and pre-tax profits were higher at £78.8m compared with £72.9m in the same period last year.

Earnings per share are stated as 3.13p, against 2.93p, and the interim dividend is lifted from 1.15p to 1.5p—the total last year was 2.6087p from record pre-tax profits of £121.6m.

Sir Marcus Sief, chairman, says store sales in the UK showed good increases during the first quarter but the disappointing second quarter was due to the substantially increased VAT rate, higher prices and poor summer weather.

Total value of exports from the UK, including shipments to overseas subsidiaries, was £31.62m against £21.15m.

In co-operation with its major suppliers, the group recently started an anti-inflation drive by lowering prices or curtailing price increases on a wide range of St. Michael merchandise. This action has increased sales and helped suppliers maintain good levels of production, the chairman says.

On July 1, salary increases were awarded to staff three months earlier than the comparative rises last year, with the aim of implementing salary reviews earlier in the year. First half costs include an additional quarter's salary increases compared with last year.

European results are encouraging and directors are negotiating several sites for new stores. The first phase of the new Dublin store will open in November.

Canadian results are better, although sales in the Marks and Spencer division are still unsatisfactory. There have been no extraordinary costs to bear this year, against £1.12m during the first six months last year.

Depreciation rates have been reviewed, increasing the charge of the six months by £223,000, compared with last year.

	28 weeks	1979	1978
UK stores—			
Food, clothing, etc., sales	472,595	433,100	433,100
Profit before tax	240,812	225,191	225,191
Export sales	12,542	13,200	13,200
Europe sales	12,813	10,539	10,539
Canada	27,827	28,155	28,155
Total sales	786,789	688,185	688,185
UK profit	712	76,381	76,381
Europe	712	462	462
Canada loss	1,481	2,335	2,335
Profit before tax	72,338	72,344	72,344
UK tax	28,500	28,000	28,000
Overseas tax	189	10	10
Net profit	40,159	38,924	38,924
Minority loss	815	176	176
Attributable	40,784	38,110	38,110

HIGHLIGHTS

After a hectic day in the City Lex concentrates on three big stories. The outright takeover bid for EMI by Thorn came as a surprise although EMI is known to have been discussing the sale of some of its operations. The initial reaction in the City was unfavourable. A massive reconstruction of Charter Consolidated aimed at improving the shape of the business was launched but Lex has some reservations. Elsewhere some poor figures emerge from Marks and Spencer underlining the reasons for the round of price cuts a couple of months ago. Other stores of the day include Midland trying to sell its stake in Standard Chartered. On the inside pages dreadful news is revealed by Grafton, and there is the unusual move of a Dutch company picking London for its sole quotation. Furness Withy reports sharply lower profits, and comments are also made on Kode, Time, Spirax-Sarco, Forward Technology and Wm. Baird.

Time Products profit up midway

HIGHER SALES and profits are reported by Time Products for the six months ended July 31 1979 and since the end of the half year, business has continued at an encouraging level, the directors say.

From sales of £15.68m against £12.56m, profits in the first half increased from £1.69m to £1.93m before tax of £432,900 against £246,000.

The interim dividend is effectively increased from 0.1605p to 0.45p and the directors expect to recommend a final payment of 2.25p. The final year was equal to 1.6735p when pre-tax profits were £4.9m.

The group operates as a watch and clock distributor, manufacturer and retail jeweller.

Pre-tax earnings were 3.7m ringgit at £4,600 to be made, by capitalising on 3.75m ringgit of unappropriated profits. This will raise the pain-up capital to 18.75m ringgit.

Oil palm production was 25 per cent higher, at 44,600 tonnes of fresh fruit bunches. An unchanged dividend of 10 per cent is declared.

Setback for Sanyo Berhad

THE INTRODUCTION of colour television in Malaysia last year is causing problems for Sanyo Industries Berhad which has been left with heavy stocks of black and white sets. The company suffered another setback in the six months to June with pre-tax profits falling from 1m ringgit to 500,000 ringgit (U.S.\$230,000).

Sales were up from 20m ringgit to 25m ringgit (\$U.S.\$11.7m), indicating that the company is disposing of its black and white television sets for low profit margins.

R. Goodwin falls to £192,000

Taxable profits of R. Goodwin and Sons (Engineers) fell from £404,515 to £191,758 in the year to April 30, 1979, on turnover ahead from £4.3m to £4.8m.

After tax of £47,879 (£217,552) stated earnings per 10p share are down from 2.5p to 2p.

The dividend for the year is 0.53347p compared with 0.51539p.

Advance by Kemayan

PROFITS at Kemayan Oil Palm Berhad, the plantation group, rose by 48 per cent after tax to 4.2m ringgit (U.S.\$1.9m) in the

Furness Withy tumbles to £0.9m after shipping loss

TAXABLE PROFITS of Furness Withy Group dived from £3.75m to £0.1m in the first half of 1979 on turnover down from £85.2m to £82.3m.

The group's shipping operations suffered a trading loss of £1.1m, against £4.23m profit. This includes a turnaround to a £1.29m loss at Manchester Liners.

However, the offshore side lifted trading profits from £1.04m to £1.62m, and the non-shipping sector went ahead from £1.39m to £1.59m. Other activities brought in £375,000 (£27,000).

These improvements enabled the group to make a trading profit of £2.49m, compared with £6.8m.

However, interest charges rose from £3.5m to £4.9m.

The Board says that there are signs that the worst of the shipping slump may be over, but this is not true of certain sectors in which the group has important interests, including container-shipping and small bulk carriers.

They add that although problems remain for the second half the group is financially strong, broadly-based with the potential for increased profits.

Therefore, the interim dividend of 3.55p net per £1 share is unchanged, and the Board says it expects to pay a maintained final of 5.27p. Total taxable profits last year were £12.2m.

The half-year taxable surplus was struck after profit from sale of ships up from £150,000 to £739,000 and investment income ahead to £1.8m (£1.07m).

The directors say the severe setback at Manchester Liners reflects the continuing depressed market for cellular container-ships chartered outside their own trades, the effects of the road haulage strike and the strength of sterling against the dollar.

Vigorous corrective action is being taken by Manchester Liners under its new chairman, Mr. W. A. L. Roberts. Three engineering subsidiaries which were incurring losses with no recovery prospects are in liquidation, and the company's resources will be concentrated on maintaining and developing its shipping interests.

Furness Withy (Shipping) suffered a serious reduction in trading profit from its cargo liner trades, again mainly caused by the transport strike and the sterling/dollar relationship. The exchange position has also meant that the group has not yet seen the contribution expected from improving dollar rates of hire for larger bulk carriers. Trading profit of cargo liner trades fell from £3.3m to £255,000 and the loss on bulk shipping was cut from £839,000 to £643,000.

Profits earned by the developing offshore business and non-shipping activities were encouraging, say the directors.

The results of associated companies include for the first time the 50 per cent interest in Bank and Savill Line, which is hearing a substantial loss on container service while it is in the costly development stage awaiting

DIVIDENDS ANNOUNCED

Company	Current payment	Date	Current payment	Total last year
Aberthaw Cement Int.	2.92	Dec. 31	2.3	7.65
William Baird Int.	5.25	Jan. 6	4.42	10.37
Ben Bailey	0.87	Nov. 30	0.61	0.61
EDITR	0.8	Nov. 30	0.73	1.91
Furness Withy	3.55	Jan. 4	3.58	9.12
Forward Technology	0.54	Dec. 4	0.52	0.52
Grafton	2.7	Nov. 30	1.96	4.35
Gratten Warehouses Int.	1.87	Nov. 30	1.79	6.21
Inter-City Inv.	0.6	Dec. 17	0.6	1.17
Kode Int.	2.21	Jan. 4	1.84	5.29
Waller Lawrence 2nd Int.	5.2	Jan. 7	4.04	7.34
Oxley Printing Int.	1.6	Jan. 4	1.2	2.76
Marks & Spencer	1.5	Jan. 11	1.15	2.61
Photax	1.5	Nov. 16	1.2	3.03
Spirax-Sarco	2.5	Dec. 5	2.1	4.96
Steel Brothers Int.	3.15	Dec. 19	2.75	7.15
Time Products Int.	0.45	Jan. 16	0.18	1.83

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issues. † On capital increased by rights and/or acquisition issues. ‡ 12p final forecast. § For 12 months to June 30. Current period is 16 months. † 7p final forecast. †† 2.25p final expected. ** To reduce disparity.

Vitatron NV gets London placing

BY TERRY BYLAND

VITATRON NV, a privately held Dutch company which is a leading European manufacturer of heart pacemakers, has raised £1.5m (Fl 6.7m) through a share placing and listing on the London Stock Exchange.

Mr. A. H. Eikmans, founder and managing director of the group, said yesterday that London was chosen for the placing because it offered a larger and more developed market than Amsterdam. Vitatron is the first EEC company to raise money in London without first having a quotation on its domestic stock market.

Mr. Douglas Meekins, head of corporate finance at Grindlays Brands, which organised the placing, said the move would perhaps highlight the greater size and placing power of the London market over those of its fellow EEC members and hoped it might be the first of other such issues.

The placing is the first by a company from another EEC country since the lifting of the UK investment currency requirement on share dealings in EEC securities.

Vitatron yesterday placed 800,000 shares, at 19.4 pence of its equity, at 17.5p (Fl 7.50

a share with some 30 UK investment institutions. It is forecasting earnings of at least £1.7m (Fl 7.8m) or 34.5p (Fl 1.05) a share for this year, which puts the newly issued shares on a prospective p/e ratio of 7.1, with a prospective gross yield of 6 per cent.

Dealings in the shares are expected to start in London on October 22, with Carr, Selous as brokers.

The shares will be traded in Dutch Guilders on the London market, and listed as a foreign stock.

Heart pacemakers and their allied equipment, are responsible for the bulk of Vitatron's sales (74 per cent) and profits (79 per cent). The company claims 15 per cent of the European market for pacemakers, and 6 per cent of the world market.

The rest of the company's operations are in the scientific division, comprising manufacture of clinical laboratory instruments.

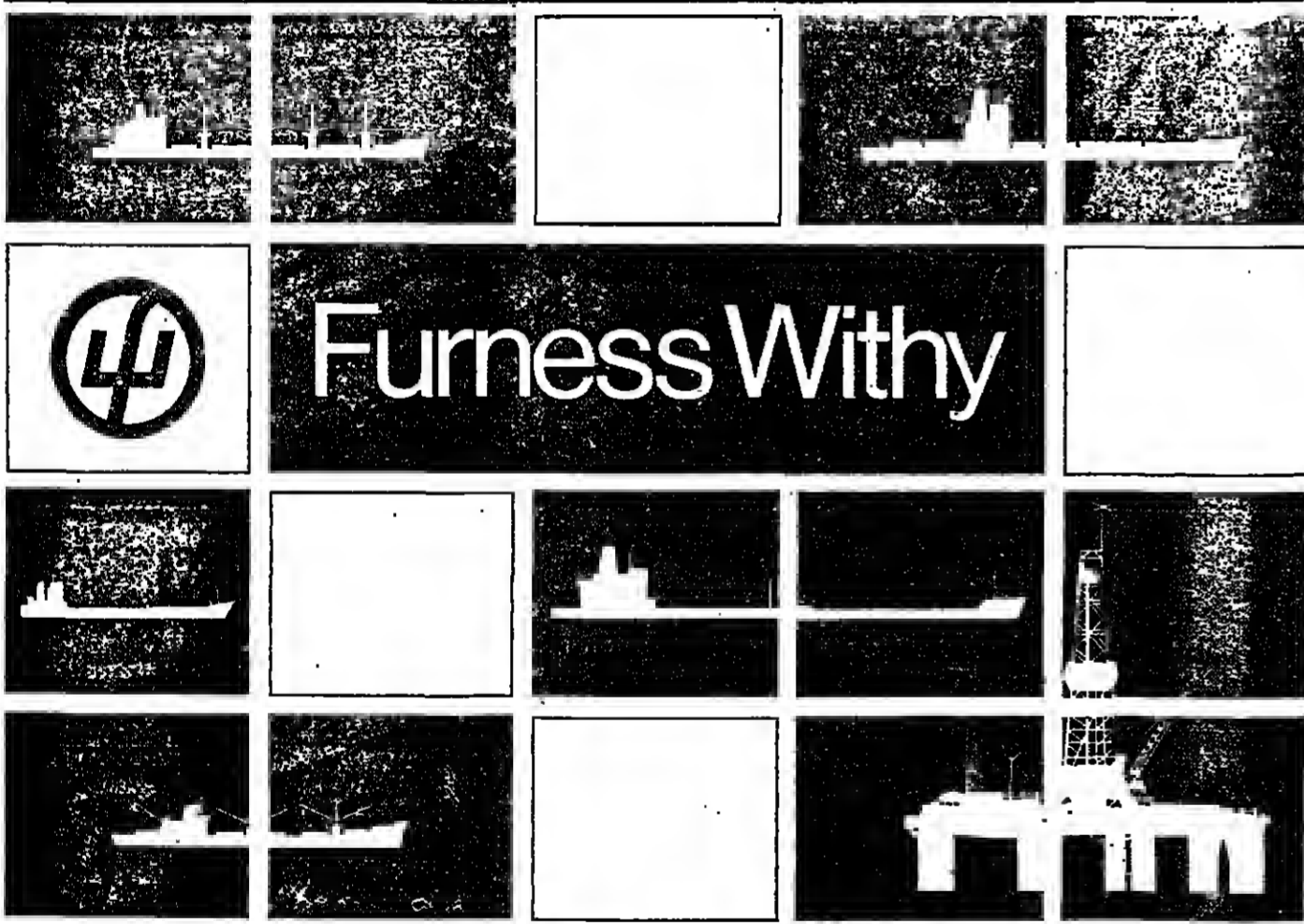
About 90 per cent of group sales are exported, with Germany recording 32 per cent of total sales, Benelux countries 16 per cent, France 14 per cent, and the UK 11 per cent.

Mr. Eikmans said the placing would help supply finance for

development of the semi-conductor division set up in San Diego in 1977-78 at a cost of \$1.2m. This side supplies high technology hybrid micro-circuits to the medical division, and Mr. Eikman envisaged further expenditure of some \$1.25m on this project.

comment

One or two dealers were sticking their necks out last night and suggesting that the Vitatron issue would open at a Fl 1 premium on the Fl 7.50 (175p) placing price. The issue is complicated because it is the first of its type and there is no comparable company in the UK market to value it against. Vitatron operates in a high technology market which is reckoned to be growing by 10 to 15 per cent per annum and the profits are forecast to more than double this year. After falling by over a fifth in the previous year. Compared with its American rival, Mediotronics, which is selling on 15 times earnings and yielding 1.2 per cent, Vitatron's rating looks fairly conservative. But as the first such animal in the UK it had to be prepared to concede a fairly generous price.



Interim Results for the half year ended 30 June 1979

	Half year ended 30 June 1979	Half year ended 30 June 1978	Year ended 31 December 1978
TRADING PROFIT			
SHIPPING			
Furness Withy (Shipping)			
Cargo liner trades	0.7	3.3	4.7
Bulk shipping	(0.6)	(0.9)	(1.0)
Manchester Liners	(1.3)	1.7	1.3
	(1.2)	4.1	5.0
OFFSHORE	1.6	1.0	3.1
OTHER ACTIVITIES	2.1	1.6	2.9
TOTAL TRADING PROFIT	2.5	6.7	11.0
PROFIT before tax and extraordinary items	0.9	5.8	12.2

★ Furness Withy (Shipping) suffered a serious reduction in trading profit from its cargo liner trades, again mainly caused by the road haulage strike and the sterling/dollar relationship.

★ Profits from developing offshore business and non-shipping activities are encouraging.

"Although problems remain for the second half of 1979, we are a financially strong, broadly based business with the potential for greatly increased profits in the future."

"The directors are therefore declaring an unchanged interim dividend and, subject to unforeseen circumstances, we expect to be able to recommend that the final dividend should also be maintained."

Points from the statement of the Chairman **BRIAN SHAW**:

★ Signs that worst of the shipping slump may be over, but certain sectors of the market in which Furness Withy has important interests still seriously affected.

★ Severe set-back at Manchester Liners due to depressed market for container-shipping, effects of the road haulage strike and strength of sterling against the dollar.

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Copies of the full Interim Statement can be obtained from the Company Secretary.

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Companies and Markets

BIDS AND DEALS

RIT buys major stake in Savoy Group for £8.4m

BY JAMES BARTHOLOMEW

Grand Metropolitan has sold its stake in Savoy Group to Rothschild Investment Trust for £8.4m, and Savoy has welcomed its new shareholder. Rothschild Investment Trust said yesterday that it regarded Savoy as a long term investment with very good potential. The Savoy Group includes the Berkeley, Claridges and the Connaught as well as the Savoy Hotel—all among the finest London hotels. Pre-tax profits of the group of £1.2m last year are regarded by analysts as being below the potential for a company with such assets. Rothschild is not the first to look at the stake. Grand Metropolitan itself bought it from Trafalgar House Investments. Last week it was announced that Mr. Giles Shepard, 42, would take over as managing director of Savoy from Sir Hugh Wontner, who had held the position for 39 years. Mr. Maxwell Joseph, chairman of Grand Metropolitan, said yesterday the reason for the sale is that interest rates have risen very sharply since our purchase of the shares in September of last year, and the shares are returning only 2 per cent. We are planning to reinvest the proceeds in other areas to show a greatly improved return. Savoy emphasised last night that the deal had not come as a surprise. They had been aware that Grand Metropolitan wished to sell and that Rothschild Investment Trust has been among the possible buyers. Rothschild Investment Trust now owns 7.1m "A" ordinary shares of Savoy and 84,056 "B" ordinary shares. These stakes together hold 16.3 per cent of the votes.

G. W. Clark, director, has disposed of 15,000 shares leaving holding 35,280 (0.9 per cent). G. W. Clark has disposed of 25,000 leaving 53,830 (1.34 per cent). G. Warstaff, director, has disposed of 10,000 leaving 120,000 (3 per cent). The transactions were carried out between February and June. Benlox Holdings—Park Place Investments has bought a further 30,000 shares, bringing total to 444,900 (10 per cent).

Barber agrees to Hanson take-over

Hanson Trust has won the agreement of Barber Oil to the take-over it proposed nearly four weeks ago which values the U.S. energy group at \$162m. Hanson and Barber jointly announced yesterday that they intend to sign a definitive agreement by November 16. Hanson will have completed its investigation of Barber by the same date. The offer was first announced on September 17. Barber would not comment on it then but two weeks later asked Hanson for "prompt clarification" of the conditions of the offer. Hanson maintained that it would be difficult for Barber to reject the offer since Barber had already recommended a lower one from Englehard Minerals and Chemicals Corporation. Englehard has since withdrawn its offer.

VFM BUYS HUGHES (BLYTH)

VFM (UK), the London-based sales company for the international VFM/Vitrahm Group, has purchased Hughes (Blyth), the North of England maker of vitreous resistors and inductors. The new subsidiary will retain the name Hughes (Blyth) and will function alongside VFM's other manufacturing plants in Denmark, West Germany, Portugal and Italy. All sales, as

before, will be through VFM (UK). VFM will be initially injecting over £100,000 into the company.

HARRISONS AND CROSFIELD

Harrisons and Crosfield has signed a definitive agreement to purchase the net assets and business of PPG Industries chrome chemicals business. H and C paid \$30.5m cash for the business from borrowing facilities which have been arranged for that purpose. H and C has formed a wholly-owned U.S. subsidiary, American Chrome and Chemicals Inc., to operate the chrome chemicals business. PPG's chrome chemicals business represents about \$25m in annual sales.

EDRO FORMS NEW COMPANY

Edro (Holdings) is forming a new company, Hyva B.V., to distribute hydraulic products for the commercial vehicle industry of its manufacturing subsidiary, Edro. In certain European countries. This had previously been carried out by wholly-owned subsidiaries. Hyva will be based in Holland with subsidiaries to be formed in other territories. Hyva or its subsidiary will acquire the assets of Edro France and Edro Belgium for cash, and Edro will subscribe DF 825,000 (about £25,000) for 21 per cent of the share capital of Hyva in which Jost-Werke GmbH will own a 51 per cent interest.

The assets of Edro France and Edro Belgium will be acquired on a net asset basis to be calculated on the takeover date. At August 31 these payments would have amounted to 1976,000 and 1944,000 respectively. The proceeds will be used to subscribe for the shares in Hyva and the balance to reduce group borrowings. Assuming no effect on sales, the loss of profits in the group in the year to March 31, 1978 for continuing operations to trade would have been about £225,000.

Dutton-Forshaw shares suspended

SHARES of Dutton-Forshaw, the EL and Rolls-Royce car distributor, were suspended at 10.15p pending an announcement regarding an offer for the company. On the stockmarket the Lancashire-based group was valued at £20.5m.

The group announced that talks were in progress towards the end of last month. At the time directors declined to give any clue as to who the potential buyer might be and were equally tight-lipped yesterday about the identity of the potential bidder. However an announcement is expected in the next few days. Most mentioned as a possible bidder in the past few weeks has been Lomrho, which distributes Volkswagens, but it had earlier denied that it had made an approach.

Dutton is predominantly a BL distributor although it also owns Jack Barclay, the Berkeley Square distributor of Rolls-Royce, and has recently started distributing on a small scale for Ford and Chrysler. In the last financial year ending December 31, 1978, profits were £4.7m on turnover of £183.6m. For the six months to June 30, 1979 pre-tax profits fell from £2.69m to £2.52m. To improve the gearing ratios, Dutton-Forshaw was conducting a professional revaluation of the group's properties and the directors expected this to show a surplus over book values. In the last accounts fixed assets of the group stood at £15.5m while net current assets were £14.4m.

Major shareholders in the company are IFC with an 18.1 per cent holding; and M and G Investment Management with a 7.8 per cent stake.

BARRATT DEVLPT.

Barratt Developments has acquired for £1.25m cash

Ambrose Builders, a wholly owned subsidiary of Coral Leisure Group. Ambrose has almost 800 plots of land in Lancashire and Merseyside and the acquisition will further enable Barratt to consolidate its position in private house building in the North West.

Averys denies need for forecast

A letter written by the chairman to Averys shareholders says that the profits forecast which GEC wants is "irrelevant".

Last week GEC extended its offer for Averys to allow Averys to make a profit forecast. But Mr. Richard Hale, chairman of Averys, tells his shareholders, "The results for a single period of half a year which was affected by a major national dispute are irrelevant either in deciding whether Averys, which has been trading for some 280 years, should remain independent or in establishing an appropriate value for Averys' business."

Mr. Hale adds that the GEC is trying to take advantage of the engineering dispute to acquire Averys cheaply and urges shareholders not to accept the GEC offer.

In the GEC camp the Averys' letter was dubbed "disappointing". S. G. Warburg, GEC's advisers, said that a forecast was desirable but it would consider the matter further before taking any action. Averys' claim that GEC is trying to capitalise on the engineering dispute was wholly denied.

AIR-INDIA U.S. \$50,000,000 Loan Facility. Managed by Midland Bank Limited, State Bank of India. Provided by Midland Bank Limited, State Bank of India, Amsterdam-Rotterdam Bank N.V., Chemical Bank, Commerzbank Aktiengesellschaft, The Dai-ichi Kangyo Bank Limited, Société Générale, Toronto Dominion (South East Asia) Limited, Gulf International Bank B.S.C., Mitsui Finance Asia Limited, National Westminster Bank Limited, Swiss Bank Corporation. Agent: Midland Bank Limited.

SHARE STAKES

Erington Estate—John James Group of Companies has disposed of 14,500 5 per cent Preference shares leaving holding nil. Perelle nominees has acquired 14,500 Preference shares (9.97 per cent). Hestair—G. H. Hollyhead, director, bought 400 shares and not 400,000 shares as taped. Estates Property Investment—Following recent rights issue, Royal Insurance Company is interested in 1,325,102 shares (8.25 per cent). Earrow Hephern Group—Caparo Group has acquired a further 200,000 Ordinary shares making a total of 6,506,040 (26.9 per cent). B. Holdings—A. J. A. Ferguson, director, has sold 21,000 Ordinary held indirectly and 5,000 Ordinary held directly. Pilkington Brothers—A. C. Pilkington, director, has acquired 19,221 shares beneficial. He has disposed of 48,054 non-beneficial Total: 28,275 shares (1.12 per cent). Pressac Holdings—Wife of

Phone bill payment troubles

A POST OFFICE leaflet explaining the effects of the recent computer billing dispute has caused a trebling of advance payments to subscribers. The message warned customers of the large telephone bills to come and suggested ways to prepare for them. Sir William Barlow, chairman

of the Post Office, said: "We really need this money because no business can survive undamaged from a crippling strike of this sort. Today, as we prepare to recover the £700m in outstanding telephone bills, every penny we receive will help reduce the burden."

Most customers will receive a bill for two quarters' rental and about nine months' calls when the main batch of "catch-up" bills starts going out in November. Three months later, a second bill will cover two quarters' rental and three months' calls.

NEW ISSUE. These notes having been sold, this announcement appears as a matter of record only. Dai-ichi The Dai-ichi, Inc. (Kabushiki Kaisha Dai-ichi) U.S. \$50,000,000 6 1/2% Convertible Bonds Due 1994. Nomura Europe N.V., Algemene Bank Nederland N.V., Banque de Paris et des Pays-Bas, Crédit Lyonnais, Swiss Bank Corporation (Overseas) Limited, Merrill Lynch International & Co., Banque Bruxelles Lambert S.A., Berliner Handels- und Frankfurter Bank, Credit Suisse First Boston Limited.

BASE LENDING RATES table with columns for bank names and interest rates. Includes A.B.N. Bank, American Express Bk., A Bank Ltd., Henry Ansbacher, etc.

French trawler under escort

A FRENCH trawler was escorted into Milford Haven yesterday by the fisheries protection vessel HMS Lindisfarne, the Ministry of Agriculture said. The trawler, Mousse Bhamcos, was alleged to have been found fishing in a proscribed area of the Bristol Channel and suspected of catching shrimps with an illegal net.

THE LONG-TERM CREDIT BANK OF JAPAN LTD. Negotiable Floating Rate U.S. Dollar Certificates of Deposit. Maturity Date 26th October 1980. In accordance with the provisions of the Certificates of Deposit notice is hereby given that for the six-month interest period from 18th October, 1979 to 18th April, 1980 the Certificates will carry an interest rate of 15%.

Table of international banks and financial institutions. Columns include bank names and their locations. Includes Abu Dhabi Investment Company, Alahli Bank of Kuwait, American Express Bank, etc.

M. P. KENT LIMITED Property and Housing Development. Year ended 30th June 1979 and 1978 financial data. Sales 13,561 (1979) vs 13,674 (1978). Profit before tax 1,852 vs 1,106. Profit after tax 923 vs 242. Earnings per share after tax 17-2p vs 8-5p. Profits advanced 67% to new record of £1,852,014. Final Dividend increased 25% to 3p per ordinary share.



JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED

(Incorporated in the Republic of South Africa)

The Board of Johannesburg Consolidated Investment Company, Limited ("Johnnies"), announces that it has sold its wholly-owned UK-based financial subsidiary, Bernato Brothers Limited, to De Beers Holdings (Pty) Limited. Attention is drawn to today's announcement by the Board of Charter Consolidated Limited which states, *inter alia*, that it, in turn, intends to acquire Bernato Brothers from De Beers as part of its proposed re-organisation, which is to be submitted for the approval of shareholders.

Bernato Brothers' main assets and liabilities (other than shareholders' loans) are 12 211 560 shares in Johnson Matthey & Co Limited and a loan liability of £9.2M.

The total consideration received by Johnnies from the sale of Bernato Brothers was R36,88M of which an amount of R3,55M was brought to account in Johnnies Income Statement at 30th June 1979 in respect of a payment received for an option granted to the purchaser. Taking into account the fact that the purchaser has assumed Bernato Brothers' loan liability of £9.2M the consideration effectively attributable to the Johnson Matthey holding was R44.3M.

Johnson Matthey is the sole marketing agent for Rustenburg Platinum Mines Limited (a member of the Johnnies Group) and with Rustenburg jointly owns Methley Rustenburg Refiners (Pty) Limited, which refines the platinum and associated metals produced by Rustenburg. For many years Johnnies held a minor interest in Johnson Matthey but in 1973 and 1974 in order to provide further support and security to that company increased its interest via Bernato Brothers and the present holding is equivalent to 23 per cent of the equity.

Johnnies has accepted the opportunity of placing its holding in Johnson Matthey in secure hands as this investment has, for Johnnies, entailed certain disadvantages in recent years including the consequences of the system of advance corporation tax adopted in the UK. Johnnies is of the opinion that the funds arising from the sale can be employed with greater financial reward in its business in South Africa. The sale will in no way affect the business relationship which currently exists between Rustenburg and Johnson Matthey.

This transaction will not affect the net asset of Johnnies shares and there will be no material effect on earnings per share.

Further details will be made available to shareholders in the forthcoming annual report.

BY ORDER OF THE BOARD,
M. J. MEYER,
Secretary

JOHANNESBURG
16th October, 1979

Companies and Markets

Spirax 9% ahead and sees further progress

TAXABLE PROFITS of Spirax-Sarco Engineering, the international engine control group, rose 9 per cent to £2.92m in the first half of 1979, compared with £2.67m last time. Turnover was 8 per cent higher at £18.7m, against £17.25m.

Mr. A. C. Brown, chairman, says that assuming the disruptive effect of the recently settled engineers' dispute will not be prolonged, he expects further progress in the second half. For the whole of 1979, pre-tax profits reached a record £5.92m.

Of the period under review, the chairman says order intakes and invoiced sales in real terms showed increases over last time. But the strong pound hit turnover expressed in sterling, and the sterling value of overseas subsidiaries' profits and net assets.

The group has continued to expand its market coverage overseas, including the founding of its own company in Finland since the start of the year.

Tax for the half year is sharply higher at £1.3m (£736,000). The directors explain that the charge has been estimated at the rate expected to be incurred in the full year. This rate is likely to be higher than last time because of a reduction in stock relief and a decrease in capital allowances.

The net interim dividend is raised from 2.1p to 2.5p—last year's final was 2.86p. Earnings

per 25p share are given as 7.9p (8.2p).

comment

Spirax-Sarco stands a reasonable chance of emerging unscathed from the engineering dispute. Stocks of raw materials and components are high while, so far, the ordering pattern by customers has seen no change. The picture may alter markedly towards the end of the year but for the moment it seems that the group is capable of maintaining the 9 per cent interim pre-tax profit growth rate. That suggests total profits of £6.45m for a fully taxed p/e of around 12 and if the interim dividend increase is held at the final prospective yield is 4.7p per cent at 190p. The shares have dropped less than 12 per cent from the 1979 peak and clearly stand at a premium to the sector. Overseas profits accounts for about half the total and the potential in expanding markets in South America and the Far East helps to explain the high rating as does the ability to maintain margins through the transport strike, in push ahead with volume growth.

Medens Trust options sold

All outstanding options for shares in Medens Trust had been sold since the year end, Mr. Alford Collins, chairman, said at the trust's annual general meeting. Around 200,000 of additional equity capital had thus been raised, enabling borrowing limits to be increased at a very important time. Despite sharply rising money costs, the group looked forward

Downturn for Oxley Printing

THE TRANSPORT strike and cost of setting up new machinery at two main subsidiaries affected Oxley Printing Group, the printing and planmaking concern.

In the first half of 1979 the taxable surplus fell from £706,000 to £507,000 on turnover up from £11.2m to £11.3m. The profit includes Government aid for certain subsidiaries of £48,000 (£135,000).

However, the group is lifting the net interim dividend from 1.1975p to 1.5p and intend to pay a final of 2p, compared with last year's 1.5661p. Total taxable profit in 1978 was £1.55m (£1.1m).

Interim after-tax profits are down from £661,000 to £553,000. The Board says that since mid-year business has been buoyant in most divisions, and the problems posed by new machinery and technology are being overcome.

Notwithstanding the substantial capital spending, the group is operating well within its financial facilities.

FRANCIS INDS.

All the industrial action at Francis Industries has now been lifted. All group companies are "rapidly returning to full activity earlier than had been anticipated."

Grattan profits hit by heavy costs and VAT rise

EXCESSIVE COSTS and the June VAT increase caused trading profits of Grattan Warehouses, the mail order concern, to fall 12.2 per cent to the 28 weeks to August 19, 1979. After modernisation expenditure and pre-tax surplus dropped some £2m to £2.46m.

Sales in the spring and summer seasons increased strongly by almost 26 per cent to £105.33m, excluding VAT, against a background of healthier than anticipated demand, reflecting the improved range and content of the catalogue, says Mr. J. M. Pickard, the chairman. This sales rise resulted in an improvement in the company's market share in line with the Board's planned programme.

The company incurred heavy costs throughout the season in handling the level of demand, following stock and order processing delays at the commencement of the period, which were aggravated by the road haulage and a change to its catalogue numbering systems.

The large VAT increase brought a sudden decline in clothing sales and this, coming so late in the season, added to the normal level of end of season stock depreciation.

Interest charges for the period jumped from £0.21m to £1.3m, caused by higher interest rates and increased borrowings, which the chairman says were necessary to support the sales rise and bigger stock levels. Planned modernisation expenditure doubled from £310,000 to £620,000.

Mr. Pickard says it is too early to forecast the full year outcome, although the autumn and winter season has started encouragingly

with both demand and sales continuing at the first-half level. For the year ended January 31, 1979, pre-tax profits were down from a record £11.78m to £10.65m.

Half-yearly deferred tax takes £1.28m (£2.33m) leaving net profits almost £1m lower at £1.18m. The net interim dividend is raised from 1.75p to 1.888p, costing £221,065 (£755,940)—the final last time was 1.425p.

Referring to the subject of a possible takeover offer for the company, the chairman reports that no formal discussions have taken place but a number of informal approaches have been made to it over the past six months. One competitive company, UDS Group, has acquired 1.59 per cent of Grattan equity in the course of the last year through one of its subsidiaries.

Mr. Pickard adds that the directors, in conjunction with Morgan Grenfell and Co., are exploring means of ensuring the further growth of the business, and this would not necessarily rule out some form of association with another organisation.

With the dreadful news of a 45 per cent drop in pre-tax earnings, the pressure is on at Grattan Warehouses. The company has been hit by dramatically higher interest charges, the VAT increase in June and the effects of the transport strike.

Yet competitors, Empire Stores and Freeman, were exposed to these same problems and managed to do better in the first half. The market sent the price down 18p to 196p and it might have sunk even lower had it not been for Grattan's carefully worded comment concern-

ing the possibilities of "an association with another organisation." Things are not looking bright for Grattan, which is committed to a long-term programme of modernisation and sales expansion. The plans could pay off in two or three years' time, but it is now anyone's guess as to what may happen before then. The full-year costs of interest charges and modernisation may total about £4m, suggesting a reduced cover for the dividend, which should cost £2.9m if maintained.

Roll-over boost for EDITH

NET REVENUE before tax of Estate Duties Investment Trust was lifted to the half year to September 30, 1979, from £1.19m to £1.58m.

A record £2.75m was invested in new business, of which £1.3m was satisfied by the issue of 1.17m new 25p shares in EDITH to the vendors of shares in six unlisted companies, enabling them to claim roll over relief for capital gains tax.

Since September 30, a further 563,333 shares have been issued in exchange for a minority shareholding in another unlisted company, raising EDITH's capital to £20.22m and £17.8m.

An interim dividend of 0.8p is announced, against an equivalent last time of 0.73p. Total last year came out at an equivalent 1.91p.

Charter Consolidated Limited PROPOSED RESTRUCTURING

The board of directors announce that negotiations have been completed with Anglo American Corporation of South Africa Limited (AAC), De Beers Consolidated Mines Limited (De Beers) and Minerals and Resources Corporation Limited (Minroco) for sales and purchases of certain assets which are described below. The exchanges will increase Charter's United Kingdom-based industrial holdings and strengthen the cash resources available for the development of its business, furthering the board's objective of creating a better balance between its mining and industrial investments and between its U.K. and foreign earnings. Charter will retain large and diversified interests in mining both in conjunction with AAC and its associates and otherwise.

As has been announced separately, AAC and Charter have acquired the interest of Imperial Chemical Industries Limited (ICI) in Cleveland Potash Limited (Cleveland) but AAC has agreed to provide all funds required for operations at Cleveland until February 1980. In terms of the proposals which are now to be put forward, should the continuation of operations at Cleveland after that date be considered to be justified, the mine will be financed without any call being made on the resources of Charter.

It is part of these proposals that Charter shareholders will receive approximately 26.2 million new shares in Minroco, issued in consideration for investments to be acquired from Charter by Minroco. Minroco is a Bermudian-based mining and industrial investment company with a wide range of interests in metals and minerals as well as important industrial holdings on the North American continent. Charter will retain its existing interest in Minroco, and thus Charter shareholders will be able to participate in the future development of Minroco both directly and through Charter itself.

holding ratios of 50:37.5:12.5) to enable it to pay off all third party loans, for which they had given guarantees and other assurances. Charter and AAC have agreed to continue with operations at Cleveland and believe that the increased production in the first five months of 1979 and the improvements in the layout of the mine provide grounds for some optimism that the operation can be brought to profitability. However, it has not yet proved possible to obtain a level of production above that achieved in April and it has been agreed therefore that performance should be reviewed in February 1980. AAC and Charter will become equal partners in the project but AAC has undertaken to provide all funds required for operations to February 1980.

As an integral part of the proposals being put to shareholders, and subject to the February review, AAC has undertaken to provide such further funds as the mine requires, these funds and those subscribed to the end of February 1980 being recoverable with an annual return of 25% as a first call on Cleveland's cash flow. Thereafter Charter will share equally with AAC in any cash flow from the project. If at any time a decision should be taken to close the mine or suspend operations, Charter's funding obligations will be limited to a maximum of £4.5 million, being 37½% (Charter's former shareholding interest) of the estimated cost if the mine had been closed now.

The board believes that the present proposals in regard to Cleveland are of very considerable advantage to Charter and its shareholders in that Charter is able to quantify its maximum liability in the event of closure, while retaining the right to share in any future positive cash flow of the project without incurring further losses and responsibility for funding operations at the mine.

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Effect of the Scheme on Charter

After the Scheme becomes effective, Charter's principal industrial investment, in addition to that to be acquired in Johnson Matthey, will be its 67.3% holding in Cape Industries Limited. Its other industrial interests, which are wholly-owned, are Elastic Rail Spike Company Limited, MKR (Holdings) Limited (formerly MK Refrigeration Limited), Hsavae-Sadia Holdings Limited and Torque Tension Limited. Charter will retain 25.8% of the issued share capital of Selection Trust Limited, 14.7% of the enlarged share capital of Minroco and a 4.3% holding in Rio Tinto-Zinc Corporation Limited. Charter's main direct mining interests in addition to Cleveland are in lead and zinc through Tara, in tin through Malaysia Mining Corporation Berhad, in tungsten through Beralit Tin and Wolfram Limited and Société Minière d'Anglade, end in nickel and copper through GRST/BCL.

The proposals when implemented will represent a major step towards the board's objectives of achieving a better balance between Charter's mining and industrial investments and between its U.K. and foreign earnings. The board intends to continue to develop and augment the company's industrial interests, while at the same time taking advantage of opportunities for profitable investment in mining operations, especially in those areas and commodities related to Charter's existing investments and where its technical skills can be effectively employed.

The arrangements in regard to Cleveland Potash are attractive to Charter in that it will have a right to participate in the cash flow if the mine can be brought to profitability, without the risk of incurring further losses or funding obligations, apart from the limited responsibility for closure costs.

Charter shareholders will obtain a direct interest in Minroco which is increasing its already substantial interests, principally in North America, in the extraction, processing and marketing of minerals, oil and other commodities, by the acquisition of a 50% interest in Amcan. Minroco will be further strengthened by the acquisition, through Amcanit

of a substantial investment in the international diamond industry. In view of Charter's increasing emphasis on industrial interests, Dr. A. Spinks, who was a member of the board of ICI from 1970 until 1979, was appointed to the board on 16th October 1979. In addition it is the intention that on the scheme becoming effective Lord Robens, chairman of Johnson Matthey and Mr. H. R. Hewitt, managing director, be invited to join the board.

Mr. M. B. Hofmeyr, who has been managing director since 1972 and chairman and managing director since 1976, will be returning to South Africa next year to join the Operating Committee of the Executive Committee of AAC. Dr. Spinks will be appointed non-executive chairman from 1st April, 1980. Mr. J. N. Clark, an executive director of the company, will succeed Mr. Hofmeyr as managing director with effect from today and will become chief executive of the company on 1st April, 1980. Mr. F. J. A. Howard, who has been a member of the board since January 1978, is appointed an executive director with immediate effect.

Mr. W. D. Wilson and Mr. G. A. Carey-Smith have retired from the board. Mr. Wilson, who was Charter's first managing director and a deputy chairman from 1965 to 1968, has retired from active business. Mr. Carey-Smith was an executive director from 1972 to 1975, and is now chief executive of Anglo American Corporation Zimbabwe Rhodesia Limited.

Financial effects of the Scheme

Net assets of Charter at 30th September 1979, but as valued for the scheme in the case of the investments being transferred were estimated at £374 million or 357p per share.

After the scheme becomes effective, and taking into account the investment currency premium realizable and estimates of the taxation charges and other expenses which arise from implementing the proposals, the net assets of Charter will be £305 million, or 291p per share. However for every four Charter shares now held Charter shareholders will receive one new Minroco share with net asset value, based on market value at 10th October, 1979, of U.S. \$6.76 per share (312p), or at their discretion U.S. \$4.85 in cash, equivalent to 238p in the hands of United Kingdom residents.

The earnings of Charter for the year to 31st March, 1979 were £23.0 million (21.3p per share) and for the half-year to 30th September 1979 £14.4 million (13.7p per share). Details of Charter's performance for the months to 30th September 1979 will be found in the interim report issued today. Assuming that the scheme had become effective at the beginning of the relevant periods then the pro forma earnings of Charter for the year to 31st March 1979 would have been £27.7 million (26.4p per share) and for the half-year to 30th September 1979 £13.9 million (13.3p per share).

The scheme document will set out the basis on which the pro forma earnings have been compiled and will show that, while the overall earnings of Charter will not be materially affected by the Scheme, the amount of income from the various sources will be considerably altered, in particular investment income will be reduced with a corresponding increase in the share of retained earnings of associated companies. The directors of Charter intend, if the scheme is approved, to declare an interim dividend for the year to 31st March 1980 of 3p per share, together with a special dividend of 0.35p per share to be paid on or about 3rd January 1980. The special dividend should be regarded as derived from income already received by the company in the current financial year from the investments to be transferred to Minroco under the proposals. If the proposals are approved, and in the absence of unforeseen circumstances, the directors intend to recommend a final dividend of 5p per share, making total dividends including the special dividend of 8.35p per share for the year.

The directors of Minroco have stated that, assuming the Scheme becomes effective, and in the absence of unforeseen circumstances, they intend to recommend a final dividend for the year ending 30th June 1980 of 16 cents per share on the enlarged capital which is currently equivalent to 1.73p before taxation for every Charter share held.

It is also proposed to seek the consent of the holders of the Charter convertible unsecured loan stock to the early redemption of the loan stock at par.

Implementation of Scheme

The proposals summarised above will be effected in part by a Scheme of Arrangement under the Companies Act 1948 and separate meetings of holders of fully paid and partly paid Charter shares and convertible loan stock will each have to approve the Scheme.

Application is being made to the High Court on 17th October to direct that the requisite meetings be held on 14th November 1979. On that basis, providing the Resolutions are duly passed and the Scheme sanctioned by the High Court, it is expected that the proposals will become effective on or about 4th December 1979.

It is expected that dealings in Charter shares will recommence on 17th October 1979.

The board of Charter has been advised by Hambros Bank Limited and Morgan Grenfell & Co. Limited.

16th October 1979

CHARTER CONSOLIDATED LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR HALF-YEAR TO 30th SEPTEMBER, 1979 (UNAUDITED)

	Half-year to 30.9.79 £000	Half-year to 30.9.78 £000	Year to 31.3.79 £000
Income from investments	485	437	3,778
Associated companies	9,757	9,708	15,739
Other investments			
Surplus on realizations of investments	10,242	10,145	19,517
Trading profit of industrial subsidiaries	3,721	9,170	11,990
	10,924	10,263	21,212
	24,897	29,578	52,719
Deduct:			
Administration and technical expenditure	2,132	1,921	4,096
Marketing expenditure	637	430	1,079
Interest payable less receivable	1,003	1,968	2,941
	3,772	4,319	8,116
Retained profits less losses of associated companies	21,115	25,259	44,603
PROFIT BEFORE TAXATION	5,022	1,578	(56)
Taxation	26,137	26,834	44,547
Group companies	6,576	8,987	14,299
Associated companies	3,405	1,755	3,666
	9,981	10,742	17,965
PROFIT AFTER TAXATION	16,156	15,092	26,582
Deduct:			
Minority interests	1,775	1,632	3,591
ATTRIBUTABLE TO CHARTER	14,681	14,460	22,991
Earnings per share	13.72p	13.79p	21.93p
Proposed interim and special dividends of 3.0p per share and 0.35p per share respectively (previous year's interim—3.025p)	3,513	3,172	

NOTES:

(1) Retained profits less losses of associated companies include an amount of £3.1 million, being Charter's share of the losses of Cleveland Potash for the half-year ended 30th June, 1979 (30th September, 1978—£1.9 million being Charter's share of the losses for the quarter to 30th June, 1978 the first period for which the results of Cleveland were included).

(2) Minerals and Resources Corporation Limited, which is presently an associated company of Charter has for the first time in its accounts for the year to 30th June, 1979, accounted for its share of its own associated companies' profits. Charter's profit after taxation for the half-year to 30th September, 1979 included £1.9 million in respect of these profits.

(3) Principal extraordinary items for the half-year to 30th September, 1979.

(a) It was announced today that the company and Anglo American Corporation of South Africa Limited have acquired for a nominal consideration the 50% interest of Imperial Chemical Industries Limited (ICI) in Cleveland and the ICI, Charter and Anglo American Corporation have provided Cleveland with approximately £26 million to enable it to repay all third party loans for which they had given guarantees or other assurances. In addition Charter has continued to contribute its share of working capital for Cleveland during the half-year.

The same subscribed by Charter under these arrangements have been dealt with in extraordinary items as follows:—

Dividends

The directors intend, as part of the proposals for the restructuring of the company being announced simultaneously with this report, to declare on the date the proposals take effect (expected to be 4th December, 1979) an interim dividend of 3p per share (4.28p per share including tax credit of thirty-sevenths) and a special dividend of 0.35p per share (0.50p per share including tax credit). These dividends would be payable on or about 3rd January, 1980 to shareholders registered at the close of business on the date of declaration and to persons presenting coupon No. 30 detached from share warrants to bearer.

By Order of the Board,
O. S. 900TH, Secretary

16th October 1979

IMPERIAL CHEMICAL INDUSTRIES LIMITED ('ICI') CHARTER CONSOLIDATED LIMITED ('CHARTER') ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED ('AAC')

(Incorporated in South Africa)

CLEVELAND POTASH LIMITED

ICI, Charter and AAC have concluded an agreement whereby Charter and AAC have acquired ICI's 50% shareholding in Cleveland Potash for a nominal consideration.

Under the agreement ICI, Charter and AAC have provided Cleveland Potash with approximately £26 million in the original shareholding ratios of 50:37.5 and 12.5 to enable it to repay all third party loans for which they had given guarantees and other assurances. In addition if it should become necessary to close the mine at any time up to 31 August 1981, ICI will make a contribution on a diminishing scale to the cost of closing the mine.

The existing potash sales contract between Cleveland Potash and ICI will continue and the period of the contract has been extended.

The arrangements that have been made between Charter and AAC for the provision of funds to Cleveland Potash are the subject of a separate announcement issued today by Charter.

16th October 1979

مكتبة التجميل

MINING NEWS

Anglo gives Charter a new start

BY KENNETH MARSTON, MINING EDITOR

THE AWAITED restructuring proposals for the Anglo American Corporation group's UK Charter Consolidated and Bermuda-registered Minerals and Resources Corporation (Minorco) companies do not amount to a merger but to an interchange of assets which involves Anglo and De Beers.

Importantly, the deal also relieves Charter of any further responsibility for the struggling Cleveland Potash operation in Yorkshire. It is to be kept going at least until next February, by Anglo Imperial Chemical Industries has pulled out of this partnership leaving Anglo and Charter each with 50 per cent.

Charter is to give De Beers a 5.9 per cent stake in Anglo bringing the De Beers holding to 39 per cent; 15 per cent in Australian Anglo American with 15 per cent of the base metal interests and 12 per cent of the gold interests of Anglo American Corporation do Brasil. Charter will give Anglo a 4.2 per cent stake in Eaststar Platinum.

Setback for Prieska in September quarter

THE SEPTEMBER quarterly reports from the mines in the Anglo-Transvaal Consolidated group make a very mixed showing. A major disappointment comes from the Prieska copper-zinc mine which managed further to increase earnings in the previous quarter despite the fact that only one shipment of concentrates was made during the period compared with two shipments in the March quarter.

The higher gold price, however, has not boosted earnings of Hartheebest. The benefits have been swallowed by a sharply increased tax charge, resulting from lower than expected capital expenditure, coupled with higher costs and lower production. Non-mining income has also fallen.

BOARD MEETINGS table with columns for company name, date, and location. Includes Anglo-Vaal, Hartheebest, and others.

Sergeant J'n*k'n was hit on the head. he lost his reason. EXSERVICES MENTAL WELFARE SOCIETY. 37 Thurlow Street, London SW7 2LL. 01-534 8422.

by AT rise oil-over most for DITH

PROFITS SURGE AT MIM

Improved prices for copper and zinc, and especially for lead and silver, helped MIM Holdings, the Australian group, to more than triple first quarter profits.

Of the group's gold mines, the marginal Loralat has done remarkably well thanks to an average gold price received of \$244 per ounce compared with \$226 in the June quarter. At the same time, milling and gold grade have increased while costs have eased.

A large silver deposit has been discovered in the Shandong province of China, near the Yellow Sea coast, according to Radio Peking. The broadcast added that gold, tin and zinc were also found in the deposit.

FUTURE DATES table with columns for company name and date. Includes Anglo-Vaal, Hartheebest, and others.

JOINT COMPANY ANNOUNCEMENT CHARTER CONSOLIDATED LTD ('CHARTER') MINERALS AND RESOURCES CORPORATION LTD ('MINORCO') ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LTD ('AAC') DE BEERS CONSOLIDATED MINES LTD ('DE BEERS') ZAMBIA COPPER INVESTMENTS LTD ('ZCI')

Introduction: The boards of directors of the companies announce that subject to the approval of shareholders, and other necessary consents being received, agreement has been reached on certain proposals developed in consultation between the companies.

- 1. To enlarge the United Kingdom and European holdings of Charter, which is based in London, and to achieve a better balance between its mining and industrial investments, whilst strengthening cash resources available for its development.

loan from De Beers to ZCI and, thirdly, will be applied to repay to ZCI, together with interest, all loans totalling U.S. \$8.4 million advanced to BRST and BCL from 16th March 1978 to 30th June 1979 in terms of the financing obligations assumed by ZCI under the restructuring of BRST and BCL.

EFFECTS OF PROPOSALS The principal effects of these proposals on the companies and their shareholders will be:

- 1. Charter and its shareholders Charter will achieve a better balance between its mining and industrial investments and will strengthen cash resources available for the development of its business.

MINERALS AND RESOURCES CORPORATION LIMITED ('MINORCO')

The board of Directors announce that agreement has been reached between Minorco, Charter Consolidated Limited (Charter), Anglo American Corporation of South Africa Limited (AAC), and De Beers Consolidated Mines Limited (De Beers), whereby Minorco will acquire two substantial investments with a total value of U.S. \$141.2 million; will enlarge its public shareholding; will be repaid the loans advanced to Zambia Copper Investments Limited (ZCI) and released from or indemnified against its obligations in relation to Botswana RST Limited (BRST) and BCL Limited (BCL).

- (i) Minorco will acquire from Charter an interest of 18.7% in the equity capital of Anglo American Corporation of Canada Limited (Amcan) valued at U.S. \$13.4 million. Minorco will also acquire from Charter one million ordinary shares representing a 10% interest in the equity capital of Anglo American Investment Trust Limited (Anamint) valued at U.S. \$93.5 million.

Walter Lawrence ahead for year: dividend up Aberthaw Cement incurs £217,000 loss midway

For the 12 months (to June 30, 1979) of the current 18 months accounting period, pre-tax profits of Walter Lawrence amounted to £1.5m against £1.3m in the previous year and the directors believe progress will be maintained.

Earnings per 35p share are stated as 13.4p (10.1p) and a second interim of 5.2p makes a total of 7p for the year against an equivalent 5.54p in 1977-78.

Midway profits amounted to £517,000 (£528,000) but the Board was confident that overall results for the 12 months would not be unsatisfactory. The total dividend was expected to be at least equivalent to the previous year's payment after adjusting for the scrip issue.

Mr. Jehn Redgrave, chairman, says the improved results are particularly encouraging against the background of the very severe winter and the transport strike.

In addition, initial costs of more than £100,000 were absorbed by the newly-formed Walter Lawrence Homes and Walter Lawrence Civil Engineering companies. These two companies are new beginning to trade profitably.

The building and property activities have shown an overall improvement with the industrial warehouse developments and the housing side of the Frederick Coyle and Co. subsidiary also making valuable contributions, he says.

Manufacturing and engineering and timber products all increased their profits and further improvements are expected. Although the results of the plant hire company were disappointing, decisive action has been taken to remedy the situation.

Over the year, the group's short-term borrowings were reduced by some £3m, partly through the sale of investment properties and an engineering subsidiary and the completion of two industrial developments.

After deducting taxation and minority interests, but before extraordinary items, the profit figure for the first half was £10.3m compared with £9.3m in the same period last year.

Excluding the board's BL and Rells-Reyce subsidiaries, the profit before interest, taxation and extraordinary items was £7.6m compared with £6.7m for January-June last year.

This produced a return on capital employed of 8.6 per cent compared with 10.2 per cent for the period last year. The Government's target for the NEB is to reach 15 to 20 per cent by 1981, but this is now being reduced to take account of the NEB's restricted activities under the present Government.

The rise in costs resulted from two increases in gas prices and exceptional costs arising from the severe winter.

Fuel costs represent a large proportion of the group's total costs and the directors say it is at a disadvantage in having to pay much more for fuel in 1979 than other cement manufacturers who use coal.

Despite bad weather, home trade deliveries were greater than in the corresponding period of 1978. The high demand level has continued and it is hoped that home trade deliveries in 1979 will be appreciably more than last year.

Following completion of the project to convert the Aberthaw from gas to coal firing, expected in early 1980, the directors say there will be a significant reduction in production costs. This, combined with the high fuel efficiency of the kilns, should enable the group to be in a strong position.

The interim dividend is 2.9245p (£2,792,000) net - last year's final was 4.7465p.

Depreciation charge took £2,000,000 (£3,000,000) and interest was up from £148,000 to £250,000. No tax is payable, against £242,000 last time.

The directors of Rightwise to seek approval at an EGM to be held on October 31 for the company to purchase holdings of its £690,000 10 per cent convertible unsecured loan stock 1983, by tender or by private treaty.

Pre-tax profits of Photax, London, the photographic equipment group, jumped from £108,000 to £245,000 in the first half of 1979 on turnover ahead 42 per cent to £2.63m.

The heard points out that a big advance in turnover came from the widening range of goods distributed under the group's Photax Paragon brand name, and there were very encouraging sales from the two most recently acquired agencies, Stahlitz electronic flashguns and Ucar professional batteries.

The directors add that sales have continued at a level which leads them to hope there will be another six months satisfactory trading.

To reduce disparity, the interim dividend per 35p share is being lifted from 1.2p to 1.5p which absorbs £30,000 compared with £22,500 after waivers on 100,000 shares.

The total payment last year was 3.03p after the taxable surplus had been raised from £222,429 to £237,541.

At midway there was a turnaround from a £37,155 loss to a £164,788 profit. The directors now say the company can look to the future with confidence.

Mr. Jehn Redgrave, chairman, says the improved results are particularly encouraging against the background of the very severe winter and the transport strike.

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NEB profit downturn in first half

Profits of the National Electricity Board dropped during the first half of this year from £23.1m to £20.4m before taxation and extraordinary items were taken into account.

This was reported yesterday by Sir Leslie Murphy, chairman, who said the drop was caused by the lorry drivers' strike last winter and the rising value of the pound hitting the activities of the board's subsidiary and associate companies.

He added that the engineering workers' pay dispute had hit the NEB's companies in recent weeks which meant that he did not anticipate that the results for the full year would be much improved.

SCOTTISH NORTHERN

Pre-tax revenue of Scottish Northern Investment Trust was ahead at £1.2m against £1.1m for the half year to September 30, 1978. An interim dividend of 1.2p has already been announced. Stated earnings per 25p share rose this time from 1.37p to 1.56p.

At September 30, net asset value was 105.15p (102.63p).

RIGHTWISE

The directors of Rightwise are to seek approval at an EGM to be held on October 31 for the company to purchase holdings of its £690,000 10 per cent convertible unsecured loan stock 1983, by tender or by private treaty.

Halftime upsurge for Photax

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Yearlings unchanged

The coupon rate on this week's batch of local authority yearling bonds is unchanged at 13 1/2 per cent.

B. Bailey doubles dividend

Profit, after all charges, of Ben Bailey Construction advanced from £80,911 to £243,468 in the year to June 30, 1979. Turnover was marginally higher at £5.23m, against £5.03m.

The profit includes tax of £209,610 (£38,986), and £358,170 deferred tax this time on stock appreciation relief no longer liable to clawback.

Stated earnings jumped from £1.17p to 10.4p per 10p share. The net final dividend of 0.87p lifts the total to 1.2p. Last year there was a single payment of 0.605p.

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Further Progress in 1979

Salient points from the Statement to shareholders by Mrs J.M. Tyrrell

- * Pre-tax profits increased by 50%, following the 85% increase in 1978.
* A dividend of 4p for the year is recommended (1978: 2.0855p).
* The heavy investment programme started in 1976 is now nearly complete. Over £6m has been spent on plant replacement and improvement - mostly funded from cash flow.
* Ratio of debt to shareholders' funds reduced from 69% to 25%.
* Chenille yarns to be manufactured and introduced in 1979/80.
* High hopes of further records in 1980 - Sirdar's Centenary Year.

Summary of Results table with columns for 1979 and 1978, rows for Turnover, Profit before tax, Profit after tax, Ordinary Dividend, Dividend Cover, Return on Shareholders' Funds, Earnings per Share.

Copies of the Annual Report, containing the Chairman's Statement in full, available from The Secretary, Sirdar Limited, Bective Mills, Alverthorpe, Wakefield, WF2 9ND

Rand Mines Limited

A Member of the Barlow Rand Group Gold Mining and Colliery Company Reports for the Quarter ended 30th September, 1979 (All Companies incorporated in the Republic of South Africa). Office of the Secretaries of the undermentioned companies in the United Kingdom: 40, Holborn Viaduct, London EC1P 1AJ.

HARMONY GOLD MINING COMPANY, LIMITED

Operating results table for Harmony Gold Mining Company, Limited, showing quarterly and year-to-date figures for various mining activities.

DURBAN ROODEPOORT DEEP, LIMITED

Operating results table for Durban Roodepoort Deep, Limited, showing quarterly and year-to-date figures for mining operations.

EAST RAND PROPRIETARY MINES, LIMITED

Operating results table for East Rand Proprietary Mines, Limited, showing quarterly and year-to-date figures for mining activities.

Development table for Harmony Gold Mining Company, Limited, showing advanced, sampled, and channel widths for various mines.

Development table for Durban Roodepoort Deep, Limited, showing advanced, sampled, and channel widths for various mines.

Development table for East Rand Proprietary Mines, Limited, showing advanced, sampled, and channel widths for various mines.

Interim dividend No. 48 of 85 cents per share was declared on 13th September, 1979 payable on or about 2nd November, 1979 to shareholders registered on 28th September, 1979.

During September, production was adversely affected due to the breakdown of a main conveyor, which resulted in an estimated loss of 15,000 tons.

Sundry revenue includes an amount of R600,000 in respect of an insurance claim arising from the fire which occurred in the 2nd shift area reported in the quarter ended June, 1979.

BLYVOORUITZICHT GOLD MINING COMPANY, LIMITED

Operating results table for Blyvooruitzicht Gold Mining Company, Limited, showing quarterly and year-to-date figures for mining operations.

WELGEDACHT EXPLORATION COMPANY, LIMITED

Operating results table for Welgedacht Exploration Company, Limited, showing quarterly and year-to-date figures for exploration activities.

WITBANK COLLIERY, LIMITED

Operating results table for Witbank Colliery, Limited, showing quarterly and year-to-date figures for coal mining operations.

Interim dividend No. 48 of 85 cents per share was declared on 13th September, 1979 payable on or about 2nd November, 1979 to shareholders registered on 28th September, 1979.

Working profits were affected by lower sales tonnage and by increased bunker charges which reduced output during the three months ending 31st December, 1978, because of a substantial increase in freight charges.

Dividend No. 146 of 140 cents per share was declared on 13th August, 1979 payable on or about 24th September, 1979 to shareholders registered on 31st August, 1979.

Steels

INTERNATIONAL TRADERS AND MANUFACTURERS Interim Announcement

The Board of Directors have declared an Interim Dividend of 3.15 pence for each of the 11,033,309 ordinary shares of 25p, each in issue requiring a distribution of £347,549. Dividend warrants will be paid on 19th December to shareholders registered on 19th November 1979. This interim distribution plus the related tax credit amounts to 18% compared with 16.42% in 1978.

RESULTS (unaudited) table showing quarterly and six-monthly figures for Group Turnover, Profit before tax, Profit after tax, and Earnings per Share.

The appreciation of sterling against foreign currencies that took place between 30 June 1978 and 30 June 1979 vitiated comparison of the reported sterling figures as a measure of the Group's progress. The effect was to reduce the sterling value of overseas earnings whereas in terms of constant exchange rates profits of the six months to 30 June 1979 would have exceeded those of the corresponding period.

Our Canadian operations are more profitable than in recent years but conditions in the Middle East have been less buoyant. Our engineering interests generally are experiencing difficult trading conditions.</

W. Baird up to £3.3m and Kode advance looks for year-end progress at midway

TAXABLE PROFITS of William Baird and Co., the holding and investment group, rose from an adjusted £2.36m to £3.3m on revenue ahead from 54% to 58.5m. And the board is looking for continued progress at the year-end.

Operating profits of the textile division advanced from £1.95m to £2.41m, services from £152,000 to £202,000 and the industrial side from £619,000 to £825,000, and investments (group companies) from £4,000 to £303,000.

minorities of £10,000 (£2,000) the attributable surplus is £2.24m, against £1.77m. Trading on the textile side during the first quarter was hampered by the haulage strike and severe weather.

A PROFITS advance is announced by Kode International, the computer equipment group. In the 26 weeks to July 13 1979 the taxable surplus rose from £208,025 to £775,521 on turnover ahead from £3.5m to £4.5m.

shake-out indeed before the sector fell back to anything resembling a pedestrian rating. Steel Bros. hit by sterling

Forward Technology rises 54% to top £2m mark

A 54 PER CENT jump in taxable profits from £1.57m to a record £2.41m is reported by Forward Technology Industries, formerly MPI, for the year ended June 30, 1979.

Capital expenditure in the year was £1.34m, almost double the depreciation provision, and included a substantial re-equipment of Pioneer Plastic Containers with machinery and ancillary equipment to extend its high speed production capacity for plastic food containers.

High interest hits Inter-City Invest. An increase of £150,000 in interest charges has taken its toll on profits of Inter-City Investment Group, with the first half of 1979 showing a reduction from £307,000 to £232,000.

G. Scholes set for expansion

To protect its existing market share and to secure and expand its future, the development effort of George H. Scholes and Company, maker of Wylex electrical products, has been directed to provide a wider range of products with emphasis on electricity consumer protection and safety.

comment

Speculative positions in electronics stocks started to unwind yesterday and Kode dropped 7p to 238p after a near 25 per cent interim pre-tax profit advance.

comment

Canadian operations of the construction, foodstuffs and manufacturing group proved more profitable than in recent years but conditions in the Middle East have been less buoyant.

Interim results from Sears subsidiaries

Two Sears Holdings subsidiaries have reported half-year figures following publication of the parent company's interim results last week.

Walter Lawrence Limited. A diversified group of companies encompassing construction, property development, manufacturing, engineering and retailing of D-I-Y products. Salient points from second interim statement.

APEX PROPERTIES LIMITED. (Property Investment and Development) INCREASED PROFITS, DIVIDENDS & REVENUE RESERVES. Salient points from the statement of Mr. John de Vere Hunt, the Chairman, presented at yesterday's Annual General Meeting.

Banca Commerciale Italiana Holding Societe Anonyme (incorporated in Luxembourg) U.S. \$60,000,000 Guaranteed Floating Rate Notes 1981. For the six months October 17th, 1979 to April 17th, 1980 the Notes will carry an interest rate of 15 1/2 per cent per annum.

ANGLOVAAL GROUP Mining Companies' reports - Quarter ended 30 September 1979

Prieska Copper Mines (Proprietary) Limited. Issued capital 54 000 000 shares of 50 cents each. Operating results: Ore milled 728 000, 750 000, 3 027 000.

Hartebeestfontein Gold Mining Co. Ltd. Issued capital 11 200 000 shares of R1 each. Operating results: Ore milled 701 000, 717 000, 2 885 000.

Consolidated Murchison Ltd. - continued. Financial: Revenue 1 822,22, 1 542,22, 5 122,29. Dividend: Interim dividend No. 67 of 30 cents per share declared in June 1979.

Eastern Transvaal Consolidated Mines, Ltd. Issued capital 4 918 278 shares of 50 cents each. Operating results: Ore milled 81 000, 80 250, 325 450.

Consolidated Murchison Ltd. Issued capital 4 160 000 shares of 10 cents each. Operating results: Ore milled 137 600, 133 900, 394 700.

Loraine Gold Mines, Ltd. Issued capital 18 366 986 shares of R1 each. Operating results: Ore milled 313 000, 308 000, 1 234 000.

Eastern Transvaal Consolidated Mines, Ltd. (continued). Financial: Revenue 3 075, 2 483, 7 543. Dividend: Final dividend No. 56 of 35 cents per share, declared in June 1979.

Consolidated Murchison Ltd. (continued). Financial: Revenue 4 070, 3 751, 16 891. Dividend: Final dividend No. 47 of 280 cents per share, declared in June 1979.

Consolidated Murchison Ltd. (continued). Financial: Revenue 1 014, 878, 3 040. Dividend: Final dividend No. 47 of 280 cents per share, declared in June 1979.

INTERNATIONAL COMPANIES AND FINANCE

RENAULT IN THE U.S.

Using AMC as a sales springboard

BY TERRY DODSWORTH IN PARIS

HAS Renault, the world's leading nationalised motor manufacturer, paid over the odds for its investment in American Motors (AMC) of the U.S.?

ment will work out at about \$55m a year, compared with the group's FF2,200-plus (\$476m) a year. To have designed a new car suitable for the U.S. would have cost about \$150m, anyway.

a more or less common product. But the car will nevertheless be inspired by similar ideas. Created by Renault engineers in France, its basic configuration will be the same in both the European and U.S. markets.

1985, the aim is to have 150,000 registrations, including U.S. production. Renault's financial benefit from the deal will come partly from its share in the profits of the new car sold through the AMC network, and partly from the supply of components from France.

M. Bernard Hanon, head of Renault's car division, makes it clear that the vehicle marks an ambitious move into areas of new technology which are aimed at giving the French company a clear lead over its rivals.

Cautious view at Internationale Pirelli

BY JOHN WICKS IN ZURICH

THIS YEAR'S business outlook is viewed "with a certain amount of caution," says Societe Internationale Pirelli in its annual report for the year ended June, 1979.

among the most profitable in the union. Sales volume is said to be rising in virtually all markets except Turkey. Profits are considerably better in certain countries, with real progress reported for Canada and the U.S., but earnings are falling off in Turkey and Argentina.

(which produce mainly tyres and cables) rose in volume terms by some 8 per cent last year. From net profits of SwFr 25,27m, compared with SwFr 31,24m last year, the company is recommending an unchanged gross dividend of 15 per cent on increased capital of SwFr 156m.

half of this year (which ends December 1979) was below expectations although there was a slight increase of turnover expressed in sterling. Profits for the period are down on those for the first half of last year and below expectations.

Sandoz buys stake in McCormick

By Our Zurich Correspondent

THE SWISS concern Sandoz, working through its American subsidiary, has purchased 465,000 non-voting shares of the Baltimore spice company McCormick and Company.

The Sandoz concern, which makes pharmaceuticals, dyes, and agricultural products, is already active in the food industry. Sales of its food division amounted to SwFr 501m (\$307m) last year.

Volvo Car to expand capacity

BY CHARLES BATCHELOR IN AMSTERDAM

VOLVO, the Swedish car manufacturer, will invest F135m (\$17.6m) in expanding capacity at its Dutch subsidiary, Volvo Car, in Born.

has been reached between Volvo and the Dutch Government to allow Volvo Car, which is 55 per cent owned by the Swedish company, greater freedom in deciding policy.

Plans to name a percentage figure in the contract have been dropped, but in principle as much work as possible will be carried out in the Netherlands.

Investment fund plans scrip issue

By Our Amsterdam Correspondent

ROBECO, the Dutch investment fund, plans to make a one-for-30 scrip issue on October 25. Net asset value per share rose by nearly 7 per cent to F1175 (\$88) from F1164 during the third quarter of 1979.

This reflected a 4 per cent rise in the fund's net asset value, to F14.31bn (\$2.2bn), and a fall of 564,000 in the number of shares on issue to 24.7m.

L'Oreal lifts net profit

By Our Financial Staff

L'Oreal, cosmetics and beauty products group, reports a net profit of FF 142m (\$33.5m) for the first half of 1979, compared with FF 101m. Consolidated sales totalled FF 4,311m up from FF 2,768m in the first six months of 1978.

French court declines to hear suit against Radar

BY OUR FINANCIAL STAFF

THE FRENCH supermarket chain Radar has won the first round in a legal battle to obtain a significant stake in Paris-France, the retail store chain.

before a commercial court, as the opposing parties were both commercial enterprises. A public offer was made by Printemps on October 4 to acquire at least 275,000 shares in Paris-France, or 19.9 per cent of the capital, at FF 250 per share.

Telefonica increases capital spending

BY ROBERT GRAHAM IN MADRID

TELEFONICA, the national telephone monopoly which is jointly owned by state and private enterprise, plans to invest Pta 120bn (\$1.8bn) in 1980. This amounts to a 37 per cent increase and represents a significant change of policy from the current year, which has seen the company obliged to print up money to meet its needs.

gramme, which will sustain jobs and increase Spanish access to high technology. Telefonica plans to raise Pta 62bn (\$930m) from its own resources. Last year, it had revenue of Pta 115bn (\$1.7bn) and profits of Pta 18.5bn (\$282m). It has put in for a 13.5 per cent tariff increase from January 1980, having been granted an 8 per cent rise with effect from July this year.

metering. Telefonica has denied this. To aid its financing programme, Telefonica is to introduce an obligatory bond for all new subscribers, who will be asked to pay the equivalent gain of their installation fee in return for an interest-bearing bond. The normal urban installation fee for private subscribers is Pta 13,500 (\$204). A special premium of 150 per cent will be imposed on companies, rising to 250 per cent in the case of multiple switchboards.

some Pts 11.5bn. Telefonica will raise only Pta 9.3bn through new shares. A further Pta 15bn will come from debt issues. As for the foreign borrowing element, this has been fixed at \$300m, although it is uncertain whether this will be subject to existing government restrictions.

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Notice is hereby given pursuant to Condition 4 (D) of the Terms and Conditions of the above-mentioned Notes that all of the outstanding above-mentioned Notes fall due for redemption on Monday, 19th November, 1979, being the date falling one month after the Interest Payment Date of 18th October, 1979 at a redemption price of 101 1/2%.

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INTERNATIONAL COMPANIES and FINANCE

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September 1979



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Companies and Markets

FVB reopens talks on Massey SA

By Jim Jones in Johannesburg

MASSEY-FERGUSON and Federale Volksbelegings (FVB) have reopened negotiations on the sale of control of Massey-Ferguson (South Africa) to FVB.

In March last preliminary discussions between Massey-Ferguson, which holds 51 per cent of its South African offshoot, and the other major shareholder, FVB, which has a 31 per cent stake ended unsuccessfully. At that stage the Canadian parent reportedly turned down a 500 cents per share offer for part of its interest—a deal which valued the 51 per cent at R6.8m (U.S.\$5.2m). The Canadian parent is loth to invest further funds in the South African operation in view of the group's financial position.

FVB, which is prepared to invest further capital in Massey-Ferguson (SA) to help the company attain local content requirements in its products. Following termination of the earlier discussions Massey-Ferguson (SA) reported a first-half operating loss of R600,000 for the six months to April 30. This compared with an operating profit of R520,000 in the first half of the preceding year, and with a R833,000 total for the year to October 31.

Shares in Massey-Ferguson (SA) were suspended on the Johannesburg Stock Exchange on Monday, when they stood at 260 cents. But even though the company has reported poor first-half results, most Johannesburg analysts feel that FVB will buy control from the Canadian parent at a price above the pre-suspension level.

Chemicals link-up proposed

TOKYO — Two major Japanese chemical companies—Toatsu and Mitsui Petrochemical Industries—are negotiating a business tie-up to jointly produce raw materials for engineering resin, poly phenylene oxide. The two companies are affiliated to Mitsui and Co., one of the leading trading houses in Japan. AP-DJ

JAPANESE SUPERMARKETS

Daiei leads in strong midway growth

BY YOKO SHIBATA IN TOKYO

JAPAN'S THREE leading supermarket chain operators—Daiei, Seiyu and Nichii—posted strong sales and generally strong profits for the first half of the fiscal year to August, following the vigorous business performance reported by Jusco last week.

Daiei, the nation's largest such company, lifted its operating profits by 32 per cent to Y7.54bn (\$33.1m) and net profits by 30.5 per cent to Y3.80bn, on sales of Y499.88bn (\$2.2bn), up 8.4 per cent as compared with the same period of the previous year. The sharp advance in earnings was attributed to its merchandising control, including the expansion of its own-brand items, which came to 21.4 per cent of the total merchandise.

Daiei entered a tie-up with Marks and Spencer in September last year and the number of shops handling St. Michael items rose to 150, from 43 a year ago. The store aims to raise the sales of St. Michael goods to Y2bn in the current second half from the end of this month. In Daiei's merchandise, St. Michael items are categorised as quality goods and are highly competitive, according to the company.

During the six months, the store repaid Y18.3bn of borrowings, so cutting its interest payment burden. In view of strong consumer spending and further streamlining efforts, Daiei has raised its earnings forecasts for the full fiscal year to put operating profits at Y18bn, up 19.5 per cent, and net profits at Y9bn, up 28.6 per cent, on sales of Y1.02bn, up 8.5 per cent.

The company is planning to open four to five new stores in the current half, following the opening of four in the first half. A 10 per cent scrip issue is planned at the end of the fiscal year, in February.

Seiyu, the second largest supermarket chain, increased its operating profits by 8.7 per cent to Y3.34bn, and net profits by 0.6 per cent to Y1.80bn on sales of Y255.13bn, up 11 per cent. Seiyu's relatively slow rate of opening new shops (two) during the period coincided with sluggish sales at the existing stores (up only 1.3 per cent).

In the second half, Seiyu expects to strengthen sales and earnings by exerting a fully-fledged system of merchandising control. Operating profits for the full year are expected to reach Y7.5bn, up 12 per cent over the previous year, net profits Y4bn, up 17 per cent on sales Y50bn, up 10 per cent. The group is planning to open four new stores in the current half. A further 10 per cent scrip issue at the end of next February is likely, according to the company.

Nichii posted operating profits of Y4.94bn, up 16 per cent on sales of Y185.2m, up 10.7 per cent. Because of Y96m worth of heavy investment for revamping its Tokyo head store, its net profits dropped by 7.5 per cent over a year ago to Y2.52bn.

In the full year ending next February, Nichii expects operating profits of Y12.5bn, up 22 per cent, and net profits of Y7bn, up 22 per cent on sales of Y400bn, up 14.4 per cent.

RESULTS AND FORECASTS

	Half-year		Net Profits		Half-year		Operating Profits		Half-year		Sales		Full year	
	1978-79	Change on 1977-78	1978-79	Change on 1977-78	1978-79	Change on 1977-78	1978-79	Change on 1977-78	1978-79	Change on 1977-78	1978-79	Change on 1977-78	1978-79	Change on 1977-78
Daiei	Ybn	%	Ybn	%	Ybn	%	Ybn	%	Ybn	%	Ybn	%	Ybn	%
Seiyu	3.8	+20.5	9.0	+28.6	7.5	+28.0	18.0	+19.5	499.7	+9.4	1,020.0	+8.5		
Jusco	1.8	+0.6	4.0	+17.0	3.3	+8.7	7.5	+12.0	285.1	+11.0	530.0	+10.0		
Nichii	3.2	+16.0	7.2	+15.0	5.1	+12.6	12.5	+16.0	233.5	+11.0	505.0	+13.5		
	2.5	-7.5	7.0	+22.0	4.9	+16.0	12.5	+22.0	185.2	+10.7	400.0	+14.4		

TNT raises stake in McIlwraith

BY JAMES FORTH IN SYDNEY

THOMAS Nationwide Transport, the international transport group, has emerged with almost 40 per cent of the capital of the shipping group, McIlwraith and McEachern. TNT bought a 20 per cent holding from corporate takeover specialist company Industrial Equity (IEL), ending a four-year siege of McIlwraith by IEL.

Carpenter stages strong recovery

By Our Sydney Correspondent

W. R. CARPENTER, the island trader and diversified industrial group, staged a strong recovery in 1978-79, to raise earnings to \$A9.55m (U.S.\$10.7m) from the marginal level of \$A355,000 in 1977-78. The result is not far short of the \$A10.3m record posted in 1976-77, and bettered the directors' forecasts of an \$A8.5m profit.

The recovery has prompted the board to lift the dividend payment from 11.5 cents a share to 12.5 cents.

Metro Cash and Carry maintains growth rate

BY OUR JOHANNESBURG CORRESPONDENT

METRO CASH AND CARRY, South Africa's largest wholesaler, has maintained its growth, with a 36 per cent turnover increase to R187.9m (\$27m) for the six months to August 25, 1979, from R138.3m in the first half of 1978-9. This compares with a turnover of R330.6m for the year to February 24.

Turnover growth during the period was assisted by the acquisition of the country's largest hardware wholesaler, Bingo, with effect from March 1. As far as the group's U.S. operation, Jetro, was concerned, South African exchange control regulations meant that insufficient funds could be made available to fund an optimal growth rate for the New York-based cash and carry wholesaler. However, Metro has agreed with an unrelated company, Metro of Germany, and KI Corporation to increase Jetro's shareholders' funds from \$2.25m to \$10m, thereby reducing Metro's stake in the New York operation from 50 per cent to 18.75 per cent.

Upturn at Faber Merlin

BY WONG SULONG IN KUALA LUMPUR

FABER MERLIN, the Malaysian hotel and property group, appears to have overcome many of its difficulties of the past few years.

Pre-tax profit for the year ended June was 6.14m ringgit (US\$6.8m). Although this fell short of the directors' expectation of 6.5m ringgit, the result was a strong improvement on the previous year, when pre-tax profit was only 2.96m ringgit. The profit was the best in six years.

The group is paying less in interest charges, because it has reduced its loan considerably. Helped by a lower tax charge, the net profit for the year came to 3.15m ringgit, compared with a net loss of 1.6m ringgit.

The bulk of the profits came from earnings from the groups housing estate in Kuala Lumpur, and there was also a substantial improvement from the hotel division. The Merlin hotels in Kuala Lumpur and Penang (respectively the biggest hotels in the two cities) enjoyed an occupancy rate of over 80 per cent, while its hotels in Kuantan, Cameron Highlands, Fraser's Hill and Tioman Island, recorded better earnings. Faber Merlin said that it expects to begin a new housing project in Johore Baru next year, while work on a Merlin hotel at the resort of Desaru has begun. A dividend of 2.5 per cent has been declared.

EUROBONDS

The Association of International Bond Dealers Quotations and Yields appears monthly in the Financial Times. It will be published in an eight-page format on the following dates in the remainder of 1979.

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OCTOBER 1979

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مركزنا الجديد

HOW TO AVOID COSTLY ANTI-TRUST LITIGATION

BY FREDERICK M. ROWE

Attractions and dangers of making a U.S. acquisition

IN THE first quarter of 1979, 63 U.S. companies were acquired by foreign concerns—a 70 per cent jump over the same period of 1978. In that year European acquisitions in the U.S. reached a record 358, confirming the reversal of the earlier flow of U.S. investments into Europe. The sharp dollar decline has made investment in the U.S. a prize bargain. But there are also other, less transient advantages, such as the relatively stable U.S. labour relations, and the possibility of turning a U.S. operation into an effective base for developing new markets in Latin America and around the world. However, these opportunities can be safely exploited only after a careful assessment of anti-trust risks. The principal U.S. anti-trust laws applicable to such acquisitions by European companies and joint ventures in the U.S. prohibit transactions that cause unreasonable restraints of trade or substantial lessening of competition. The laws are enforced by the Department of Justice and by the Federal Trade Commission. They also provide a private right of action, so that any "injured" private party can file suit to stop the transaction or to collect treble damages and legal fees. But the U.S. anti-trust laws contain a central paradox which favours foreign investors. Typically, an acquiring European firm is not a competitor (or a supplier or customer) of the acquired U.S. firm. Hence, such an acquisition is less likely

to cause the prohibited impairment of competition than one by an American firm. Thus, Atlantic-Richfield the U.S. petroleum giant could not, but British Petroleum could, acquire Sinclair Oil's assets. Likewise, West Germany's Tengelmann Group evidently can, but Safeway clearly could not, buy America's Great A & P Tea Company. In hostile U.S. take-over situations, the European firm may become the ideal "white knight" coming to the rescue of a choice acquisition target. Indeed, Mr. J. Shenefield, the chief U.S. anti-trust enforcement official recently declared: "As of now, foreign purchases of U.S. businesses are as likely as not to be pro-competitive, to be invigorating, to be avenues by which new technologies come into this country, and new sources of capital introduced." **Acquisitions** Understandably, therefore, of hundreds of foreign acquisitions in the U.S., only a few have faced anti-trust attack. Successful multi-million-dollar Euro-acquisitions in the U.S. in recent years have included the following combinations: Thyssen/Budd; Unilever Ltd./National Starch; Bayer/Miles Laboratories; and BASF/Wyandotte. Conversely, among the prominent failures have been last year's abortive acquisition by Bayer/Rhinechem of Chemetron's Pigment Division, whose acquisition by BASF/Wyandotte is now the subject of a Federal

Trade Commission (FTC) complaint. Brasecan, a Canadian conglomerate, recently dropped its bid for F. W. Woolworth in the face of adverse anti-trust and political publicity. Finally, earlier this month, the FTC asked the courts to block the take-over by Mannesmann of Harrisfeger, the U.S. maker of cranes and mining equipment. Except in extreme black or white circumstances the anti-trust status of a substantial Euro-acquisition or joint venture in the U.S. depends not on any legal formula, but on a broad assessment of the following factors: • The realistic business purpose of the transaction; • The historical trends and the competitive structures, practices, and environment of the affected industries; • The existence of aggrieved or hostile parties, including the prospective acquired firm, its management, or its labour union, as potential claimants, litigants, and witnesses opposing the transaction; • The prevailing legal and political climate influencing anti-trust enforcement priorities at critical times; • Above all the total anti-trust profile of how the transaction is designed, explained and perceived. Consequently, an important acquisition or joint venture in the U.S. requires the most careful strategic planning. Riskiest from an anti-trust standpoint are sizeable acquisitions and mergers between substantial direct competitors

which sell the same product in the same markets. In such cases, the prohibited "substantial lessening of competition" is usually presumed. Unless such a transaction is inconsequential in size, or involves pygmies or cripples in an industry, strict anti-trust limitations come into play. While the Justice Department's 1968 Merger Guidelines give a warning of challenge to horizontal acquisitions that combine 8 to 10 per cent of the market, even 5 to 7 per cent market-share transactions have been held illegal. Conversely, if the acquired firm is falling or ailing, and may be competitively strengthened by the acquisition, the numerical market shares must be viewed within a realistic assessment of market effects, which may place an otherwise suspect acquisition in a favourable light. In practice, a horizontal combination of 5 per cent of any substantial market approaches the anti-trust peril point. The risks rise if both companies are profitable and healthy, or if the acquisition moves the combined firm to a leading position within its industry. While large industrial firms typically span several product lines, the acquisition of another firm which includes one of those product lines will create a horizontal overlap that infects and jeopardizes the entire transaction. Risky also are acquisitions uniting suppliers and distributors. Such mergers take the form either of "upstream" or "back-

ward" acquisitions by a manufacturer of his raw materials or parts supplier, or of "downstream" or "forward" acquisition by a supplier of his fabricator or distributor. The control of market shares of 5 to 10 per cent by either the acquiring or by acquired firms also come in the anti-trust danger zone. For example, Volkswagen of America's acquisition of a U.S. manufacturer of automobile air conditioners was held illegal, because the acquired firm's competitors were deprived of the possibility of selling their air conditioners to the VW organisation. Probably most frequent today are conglomerate transactions, pursuing either product diversifications or market extensions. In a series of cases in the 1960s the Department of Justice attacked large conglomerate acquisitions because of the resulting size and concentration of power, but failed in the trial courts, which declined to extend statutory anti-trust bans beyond acquisitions inimical to competition in particular markets. Under these principles, therefore, a Euro-giant could purchase Safeway Stores, U.S. giant in an unrelated field. However, today's anti-trust impotence against vast capital combinations created by conglomerate mergers, and the rising pace of such large acquisitions by leading U.S. firms, have provoked proposals to ban such transactions on social or political rather than competitive grounds. Various versions of such proposals, which are under active consideration by

Congress would bar substantial acquisitions by the top 50 or top 500 U.S. firms, subject to limited defences such as demonstrated pro-competitive effects or efficiencies, or their spin-off of equivalent assets. A politically more attractive proposal would ban acquisitions by the top 18 U.S. oil companies. An FTC legislative proposal would expressly apply such bans to acquisitions by foreign firms aggregating a billion dollars of their averaged U.S. sales and in any form remains speculative in the short term, and will depend upon political events and tides. However, even today product diversifications or extension by acquisitions in related fields are frequent sources of anti-trust controversy. Prominent examples are the U.S. Supreme Court's invalidation of the acquisition of Clorox, the leading American bleach producer, by Procter and Gamble, the top U.S. manufacturer of household detergents, and the acquisition of S.O.S., the foremost domestic steel wool producer, by General Foods, a leading U.S. manufacturer of food and grocery products. Applications of the "potential competition" principle also govern the legality of geographic market extensions. In such cases, the acquisition of a leading firm by another leading firm in the same product area but in different geographic markets runs a high risk of illegality if the transaction terminates previous potential

competition by the acquiring firm. Nonetheless, substantial market extension acquisitions by leading European firms in U.S. markets have been successfully consummated. Thus, British Petroleum's acquisition of control of Standard Oil of Ohio survived largely intact and a recent Court of Appeals decision upheld the acquisition of Alcoa, a leading U.S. maker of industrial gases, by British Oxygen Ltd. This experience suggests that high-risk horizontal transactions may be designed as more acceptable diversifications or market extensions—through voluntary or contingent spin-offs whereby the acquiring firm would sell off those of its operations which compete with the acquired firm. **Long-range** It is also advisable that, rather than nibbling at small acquisitions, each of which incrementally raises anti-trust risks, the European investor should develop a long-range investment programme within which individual acquisitions are planned as part of a total strategy. There are three basic anti-trust tests of the legality of Euro-U.S. joint ventures in the U.S.: • Is the joint venture between A and B necessary, or could either of them go it alone? • Will jointly-owned U.S. corporation C become a source of new U.S. competitive activity which would not otherwise exist?

Alternatively, will the creation of jointly-owned U.S. corporation C limit or diminish substantial existing or potential competition between Euro-parent A and U.S. parent B? In practice, the gravest anti-trust risks arise from joint distribution or sales ventures between European and U.S. product competitors. At the safest legal extreme may be the joint creation of new U.S. corporation C to develop Euro-parent A's new product in a new market which it has no capability to enter alone—particularly if new corporation C creates new competitive stimulus within a lethargic established industry. Quite recently, the Justice Department disapproved a joint venture between Hitachi and General Electric, which contemplated a jointly owned U.S. subsidiary. The Department did not consider the joint venture necessary for the viability of either parent in the U.S. television market. Also, Hitachi had once had the intention, capability and incentive for expanding TV sales in the U.S. on its own. The U.S. anti-trust scene is wide and varied but it can be said that, in general, while U.S. anti-trust laws and enforcement are strict, they basically favour Euro-acquisitions. But this advantage can be obtained only by those who are aware of the dangers. The penalty for anti-trust neglect can be extremely costly litigation. * Mr. Rowe is senior partner of the U.S. law firm of Kirkland and Ellis.

17th ITALIAN PRESELECTION FASHION International Exhibition of basic and accessory products for footwear and leather goods manufacture 16-18 November 1979 FLORENCE (Italy) Fortezza da Basso-Viale Filippo Strozzi Stylists—Tanneries—Metal accessories—Lastings—Heel factories—Industrial fabrics—Synthetics Organized by CAMPIONARIA DI FIRENZE For information: CAMPIONARIA DI FIRENZE 50123 FIRENZE (Italy) - Via Valfonda, 9 - P.O. Box 667 Tel. 282.792 / 215.867

A FINANCIAL TIMES SURVEY AMERICAN TRAVEL AND TOURISM NOVEMBER 9 1979 The Financial Times proposes to publish a Survey on American Travel and Tourism which will coincide with the staging of the Association of British Travel Agents convention in Los Angeles, California, U.S.A. The provisional editorial synopsis is set out below. Editorial coverage will include: THE HOTEL INDUSTRY THE AIRLINES THE PACKAGE TOUR OPERATORS CAR RENTAL BUS TRAVEL RAIL NEW YORK BOSTON AND NEW ENGLAND SAN FRANCISCO AND THE COAST DRIVE TO LOS ANGELES THE ROCKIES AND THE CANYONS (GRAND CANYON, CANYONLAND, BRUCE AND ZION) MIAMI AND FLORIDA TEXAS AND THE WEST WINTER SPORTS EATING IN AMERICA AMERICA'S THEME PARKS Copy date October 29, 1979. For further information and details of advertising rates, please contact: D. Rome Financial Times, Bracken House 10 Cannon Street, London EC4P 4BY Telephone: 01-248 8000 Ext. 7181 or 394 Telex: 885033 FINTIM G FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER The content and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor.



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A FINANCIAL TIMES CONFERENCE

Thomson-Brandt strategy for European TV-set survival

BY DAVID WHITE

THE FRENCH Thomson group makes, among a lot of other things, colour TV sets. It also makes the most important components, the tubes, in collaboration with RCA of the U.S.

It intends still to be producing them in the 1980s, without making concessions to the Japanese who already dominate the world market. In a few years time, as Thomson sees it, there may well be only itself and Philips in Europe to hold the bridge.

Thomson's gambit is backed up by the French Government's determination to assert French independence in certain high-technology areas — electronics being among the top priorities.

At company and industrial policy levels, the French approach makes an interesting contrast with the UK.

The next few years are going to be crucial. The colour TV business is still subject to rapid technological change and is becoming increasingly competitive as opportunities for growth are narrowed down. Japan is already close to the stage where it will have more than one colour TV per family. The West German market has also been difficult since the end of last year.

France, where just a third of homes have colour TV, is one of the remaining places where sales are still rising. Italy and Spain are others. Thomson has a third of the French market, just behind its Dutch rival.

Audio victory

With its Madrid TV factory and its West German acquisition Nordmende, it produces 10 million sets a year, a tenth of the European market. This is not enough on its own to hold off the Japanese threat, which has already materialised in the UK and Italy and is beginning to do so in Germany.

The French, like many others, have already had to concede a Japanese victory in audio equipment. Can the same be avoided in TV technology?

A few weeks ago Thomson-Brandt, the group parent company, announced plans to pool its colour tube activities with those of West Germany's financially-troubled AEG-Telefunken. The agreement is due to take effect at the end of the year as long as the Federal Cartel Office is willing. It is a complicated balancing act in which RCA keeps its bridgehead in Europe, AEG keeps it stake in the field and Thomson keeps the upper hand.

Under the deal, the present Thomson-RCA joint venture Videocolor will take over the German group's plant at Ulm, making a third base after Lyon and Anagni, near Rome. The company will, instead of being directly controlled by Thomson, be 58 per cent held by a joint Thomson-AEG venture. In this the French hold the 51 per cent majority. RCA is keeping 42 per cent of Videocolor and is throwing in 87m for good luck. Videocolor is due to produce about 1.5m tubes this year—5 per cent of the world market—and sell another 500,000 of RCA's. The agreement will bring total 1979 output up to 2.4m tubes and sales up to FF 1.5bn or \$370m.

The agreement is only one of a number of manoeuvres going on in the industry. It follows closely on Philips' shareholding in Grundig, intended as the basis for industrial collaboration between the two it precedes any clear indication of what is happening to a third major figure, IIT.

This summer, Thomson-Brandt was in line to take a controlling interest in IIT's extensive consumer appliances division in Europe, which has been in a bad way. The French Government made it discreetly clear that it would like at least to see IIT-Oceanic, one of the U.S. group's four European subsidiaries making television sets, pass into local French hands.

But a palace revolution at IIT in July, when Mr. Lyman Hamilton was ousted as chief executive, put paid to all that. The new powers at IIT were not letting the empire fall apart, and said they would take all necessary steps to strengthen the European consumer division.

More recent reports have it that IIT plans to start making wide 68cm screens in Europe for Sony. After Thomson's success in getting in with AEG before Hitachi did, this prospect has once again set the cat among the European pigeons.

All that has happened so far is only shadow-boxing compared with what it will be like from next year. From the start of 1980, West Germany's PAL colour television licence begins to fall into the public domain. All the main and secondary patents run out between next year and 1984, and with them the agreements which limit exports of licensed equipment to Europe.

France is sheltered from this by virtue of its separate Secam system (in which a member of the Thomson group, Thomson-CSF, is a shareholder). But it is hardly secure. For a start, the countries which have chosen the Secam system do not make much of a market for French exports.

In addition, the technical barrier will soon be broken down. Production of integrated circuits capable of converting sets from one system to the other, just by being slotted in, is not far off, according to French experts. A small component will be the only difference, and that hardly adds up to a Maginot Line.

Thomson's tube agreement with AEG-Telefunken is the latest in a series of moves since the beginning of the 1970s to make an international consumer products operation in what had been essentially a French-based group. The name Thomson, incidentally, is misleading. The company started as a licensee of a U.S. concern long since eaten up by General Electric. The "Brandt" comes from the merger of Thomson-Houston with the equally French arms and appliances company Hotchkiss-Brandt.

In 1970 the group got out of electrical power engineering by selling CGE its stake in Alstom (a name which still bears a remnant of "Thomson"). It then bought up some General Electric interests in Spain, which gave it 15 per cent of the Spanish colour TV market. It set up a television factory in Singapore, employing 1,200 people. Two years ago it bought control of Nordmende and has since been paying heavily to restructure its German arm.

By far the biggest French company in consumer electrical products, marketing under a variety of names, Thomson relies on being big enough to carry the cost. The division employs 28,000 out of a total group workforce of 140,000 and had sales of FF 7bn (\$1.7bn) last year.

In colour tubes, Videocolor, which aims to step up production to 3m units in 1981, will not only be number two in Europe; it may be one of the only two to resist one form or another of Japanese encroachment which leads to the question: will it be war between the Europeans or will there be a European front?

Looking at Thomson and Philips, on the ground there is every evidence of fierce competition. AEG-Telefunken's tube factory was until now a

licensee of Philips; the licence was due to run out at the end of the year. It has now been brought into Thomson's orbit. Videocolor, which already supplied tubes to Blaupunkt, will now also supply them for Telefunken TVs.

In France, Philips competes directly. A subsidiary, Radiotechnique, produces 1m tubes a year, the bulk of them for export. Philips' advanced 30-AX tube rivals the Precision Line (PIL) tube being produced by Videocolor, a company which although borrowing from RCA also develops its own products.

The confrontation can equally be seen in a growing—that is to say, not yet saturated—market like Spain, where Thomson, Telefunken, Philips and Grundig are all present as colour TV manufacturers.

New spirit

But people at Thomson are hopeful about the development of a "European spirit," beginning to form around the European Association of Consumer Electronic Manufacturers. This body was set up only six months ago, and has as its head M. Jacques Fayard, Thomson's senior director for the division.

The French see this organization as helping manufacturers defend their market, stopping the Japanese from establishing "game preserves" and unifying the European market by bringing prices and norms into line.

"The Japanese" the argument goes, "have always been experts in small screens. We accept that. Our strength is in big screens. We don't want them exporting big screens to Europe. If the big manufacturers can't agree, maybe governments can. If there's no gentlemen's agreement with the Japanese, we have to show them it's not in their interest."

There is a great sense of urgency now, both in negotiations throughout the sector, and on an industrial level where errors have to be corrected: notably over-investment and failure to carry out necessary restructuring.

The Japanese have the technical lead and still have a considerable cost advantage. At Videocolor, for instance, it is reckoned that even with all the transport and other charges, Japanese tubes are significantly cheaper. The question is whether the Europeans can create the conditions which will enable them to catch up.

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CURRENCIES, MONEY and GOLD

Dollar soft

The dollar was slightly firmer on balance against most currencies, while finishing well below its best levels of the day. Earlier Eurodollar interest rates, and news of a sharp rise in oil prices in Libya and Iran depressed the U.S. currency, which traded within a range of DM 1.7965 to DM 1.8085 against the D-mark, before closing at DM 1.7990, compared with DM 1.7945 previously. It rose to SwFr 1.6350 from SwFr 1.6300, but declined from a high point of SwFr 1.6330. The dollar traded within a range of Y231.50 to Y233.70 against the Japanese yen and finished at Y231.90, compared with Y229.60 on Monday. The yen at its weakest level since March last year. The dollar's trade-weighted index, as calculated by the Bank of England, rose to 85.9 from 85.6. Sterling's index, of Bank of England figures, rose to 68.9 from 68.8, after standing at 68.9 at noon and 69.0 in the morning. Sterling traded within a narrow range of \$2.1565 to \$2.1585, and showed little movement on the announcement of the September trade figures. The pound closed at \$2.1525-2.1535, a fall of 25 points on the day.

ZURICH—The dollar slipped in calm trading after touching an early high of SwFr 1.6425 against the Swiss franc. By mid-afternoon the U.S. currency had declined to SwFr 1.6345. The dollar rose to Sfr 1.6320 from Sfr 1.6285 at yesterday's closing, after touching a best level of Sfr 1.6335 in the morning. The D-mark eased to L461.75 from L461.55, and compared with L465 in early trading. The Swiss franc was firm, while sterling fell to L1,788.25 from L1,791.20. BRUSSELS—The Dutch kroon fell to Bfr 5.5315 from Bfr 5.5321, and compared with a maximum permitted level of Bfr 5.5325. Other members of the European Monetary System were firmer however, with the West German mark rising to Bfr 16.117 from Bfr 16.115; the French franc to Bfr 6.8637 from Bfr 6.8590; the Italian lira to Bfr 3,421.5 per 100 lire from Bfr 3,425. Sterling rose to Bfr 62.45 from Bfr 62.41, and the Swiss franc to Bfr 17.472 from Bfr 17.4705.

THE POUND SPOT AND FORWARD. Table with columns: Oct. 16, Day's spread, Close, One month, Three months, p.a. Includes rows for U.S., Canada, Netherlands, Denmark, Ireland, W. Ger., Portugal, Spain, Hong Kong, Norway, France, Sweden, Japan, Austria, Swiss.

THE DOLLAR SPOT AND FORWARD. Table with columns: Oct. 16, Day's spread, Close, One month, Three months, p.a. Includes rows for U.K., Ireland, Canada, Netherlands, Belgium, Denmark, W. Ger., Portugal, France, Italy, Norway, Austria, Japan, Swiss.

UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar end not to the individual currency.

CURRENCY MOVEMENTS. Table with columns: Oct. 16, Bank of England, Morgan Guaranty, Index, Change, % Includes rows for Sterling, U.S. dollar, Canadian dollar, Austrian schilling, Danish kroner, Deutsche mark, Swiss franc, Yen, Spanish pes., Swedish kr., Swiss fr.

OTHER MARKETS. Table with columns: Oct. 16, \$, Note Rates. Includes rows for Argentina peso, Australia dollar, Brazil cruzeiro, Finland markka, Hong Kong dollar, Indian rupee, Kuwaiti dinar, Luxembourg franc, Luxembourg franc, New Zealand dollar, Saudi Arab. riyal, Singapore dollar, the African rand.

TOKYO—The dollar rose to its highest level since March 16, 1978, in hectic trading, touching Y231.70 against the Japanese yen. It closed at Y231.90, compared with Y229.60 previously. The Bank of Japan sold an estimated \$430m during the day to check the dollar's rise. The Japanese Finance Minister suggested that a package of measures may be necessary if the yen continues to fall. The recent decline has been caused by fears about oil supplies and a continued rise in the price of crude imports, coupled with Japan's balance of payments deficit for three consecutive months. Figures published yesterday showed that the deficit narrowed to \$780m in September from \$1,532m in August.

EMS EUROPEAN CURRENCY UNIT RATES. Table with columns: Currency, % change from Oct. 10, % change from Oct. 16, Divergence limit. Includes rows for Belgian franc, Danish kroner, German D-Mark, French franc, Dutch guilder, Irish punt, Italian lire.

EXCHANGE CROSS RATES. Table with columns: Oct. 16, Pound Sterling, U.S. Dollar, Deutschem, Japan's Yen, French Franc, Swiss Franc, Dutch Guilder, Italian Lira, Canadian Dollar, Belgian Franc. Includes rows for U.S. Dollar, Deutschem, Japanese Yen, French Franc, Swiss Franc, Dutch Guilder, Italian Lira, Canadian Dollar, Belgian Franc.

EURO-CURRENCY INTEREST RATES. Table with columns: Oct. 19, Sterling, U.S. Dollar, Canadian Dollar, Dutch Guilder, Swiss Franc, West German Mark, French Franc, Italian Lira, Asian \$, Japanese Yen. Includes rows for 1 month, 3 months, 6 months, 12 months, 18 months, 24 months.

U.S. interest rates continued to harden yesterday, and yields on Treasury bills advanced from the auction. Thirteen-week bills rose to 11.90 per cent from 11.83 per cent at the auction, and 26-week bills were firmer at 11.74 per cent against 11.71 per cent. Nervous conditions prevailed in the wake of the Fed's shift in emphasis away from regulating the Fed funds rate. In early trading yesterday Fed funds were trading 12-13 per cent compared with Monday's closing level of 13 1/2 per cent.

FRANKFURT—Call money continued to firm and touched 9.40-9.50 per cent yesterday compared with 8.50-8.60 per cent on Monday. Longer term rates were stable with one-month at 8.10-8.20 per cent, three-month at 8.50-8.60 per cent, six-month 8.20-8.30 per cent and 12-month 8.15-8.25 per cent.

PARIS—Call money remained at 11 per cent yesterday, but longer term rates showed a slightly easier tendency. One-month money was quoted at 11-11 1/2 per cent compared with 11-12 per cent, while three, six and 12-month money eased to 12-12 1/2 per cent from the previous common level of 12-12 1/2 per cent.

AMSTERDAM—Interest rates were easier in the short term with call money at 9 1/2 per cent compared with 9 1/4 per cent on Monday, and one-month money slipping to 9 1/2 per cent from 9 3/4 per cent.

INTERNATIONAL MONEY MARKET U.S. rates firm

U.S. interest rates continued to harden yesterday, and yields on Treasury bills advanced from the auction. Thirteen-week bills rose to 11.90 per cent from 11.83 per cent at the auction, and 26-week bills were firmer at 11.74 per cent against 11.71 per cent. Nervous conditions prevailed in the wake of the Fed's shift in emphasis away from regulating the Fed funds rate. In early trading yesterday Fed funds were trading 12-13 per cent compared with Monday's closing level of 13 1/2 per cent.

WEAKER TREND Gold Bullion (fine ounce)

Table with columns: October 16, October 15. Includes rows for Close, Opening, Morning fixing, Afternoon fixing, Gold Coins, Kruggerand, Mapleleaf, New Sovereigns, King Sovereigns, Victoria Sovereigns, Fr 50 Napoleons, 100 pesos Mexico, 100 Cor. Austria, 100 Eagles, 50 Eagles.

The market was helped by a small excess of Government disbursements over revenue transfers to the Exchequer and banks bringing forward balances a moderate way above target. On the other hand there was the repayment of Monday's small market advances and a small net take up of Treasury bills to finance. In the interbank market overnight loans opened at 13-13 1/2 per cent and rose on the early fore-

UK MONEY MARKET Full supply

Bank of England Minimum Lending Rate 14 per cent (since June 12, 1979). Day-to-day credit was in good supply in the Loodoo money market yesterday, and the authorities helped to mop up some of the surplus by selling a small amount of Treasury bills, all direct to the discount houses. However, after paying up to 13 1/2 per cent for secured call loans at the start, discount houses picked up late bargains as low as 9 per cent.

LONDON MONEY RATES MONEY RATES

Table with columns: Oct. 15, 1979, Sterling Certificate of deposit, Interbank, Local Authority deposits, Local Authority negotiable bonds, Finance House Deposits, Company Deposits, Discount Deposits, Treasury Bills, Eligible Bills, Fno Trade bills. Includes rows for Overnight, 7 days notice, 14 days notice, 28 days notice, 3 months, 6 months, 12 months, 18 months, 24 months.

Local authority and finance house seven days' notice, a three seven days fixed. Long-term local authority mortgage rates nominally three years 13 1/2-14 per cent; four years 13 1/2-14 per cent; five years 13 1/2-14 per cent; six years 13 1/2-14 per cent. Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 13 1/2-14 per cent; four-month trade bills 14 per cent. Approximate selling rate for one-month Treasury bills 13 1/2-14 per cent; two-month 13 1/2-14 per cent; three-month 13 1/2-14 per cent; six-month 13 1/2-14 per cent; nine-month 13 1/2-14 per cent; one-year 13 1/2-14 per cent. Finance House Rates (published by the Finance House Association) 14 per cent from October 1, 1979. Closing Bank Rates for small sums 11 1/2-12 per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rates of discount 13.95 per cent.

Österreichische Kontrollbank Aktiengesellschaft Vienna DM 100 000 000 7% Bearer Bonds 1979/1989 unconditionally and irrevocably guaranteed by the Republic of Austria - Stock Index No. 465 529 - Offering Price: 100% Includes logos of Dresdner Bank, Deutsche Bank, Commerzbank, Westdeutsche Landesbank, Bayerische Vereinsbank, etc.

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Handwritten text in Arabic script: كتاب التكميل

APPOINTMENTS

Board posts at Vauxhall

Mr. David T. Young, director of personnel, and Mr. Arthur J. Eldred, director of purchasing and traffic, have been elected to the Board of VAUXHALL MOTORS. Mr. Young joined Vauxhall at the beginning of 1944 and later transferred to GM Ltd. where he was elected to the Board as director and group personnel manager in 1975. He was made director of personnel and industrial relations last April and rejoined Vauxhall as director of personnel in August. Mr. Eldred has been with the company since 1954 and held a number of senior positions in purchasing before taking up his present post last month.

Mr. Gerald E. Solomon, has been elected a director of BANKERS TRUST INTERNATIONAL, the wholly-owned international banking subsidiary of Bankers Trust Company. Mr. Malcolm E. Widdows has been appointed a director of the BROCK METAL COMPANY, part of the Leigh and Sullivan Group. Mr. Colin Dowse has been appointed financial director of WILLIAM PICKLES AND CO. Mr. Colin V. K. Williams, finance and administration manager Southampton, Hampshire, has been appointed a director of PIRELLI GENERAL CABLE WORKS. Mr. Alan Witt has been appointed as sales director designate of BRITAINS-ARBORFIELD. Mr. Soule Wilkins, a director of Reed International, and chief executive of its paper and pack-

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CHATEAU of VILLIERS LE MAHIEU (Yvelines). 50 kilometres from PARIS, 30 kms from Versailles, 2 kms from Thoiry. PRIVATE AUCTION ON 20 NOVEMBER 1979. CHAMBER OF NOTARIES OF PARIS. 17th century chateau. Good condition. Vacant. 27 acres park. RESERVE PRICE: 3,000,000 FRENCH FRANCS. Particulars and visits: Maître MAILLEY, Notary in Paris (7th) 21 avenue Rapp - Phone: 555 07 64.

COTSWOLD STONE FARMHOUSE needing restoration. 3 bedrooms, 2 bathrooms, etc. on 100 acres. 1/2 mile from village. Excellent position approached by tree-lined private road. Extensive views. Small stone built cottage, 65 ft. stone barn, stone garage. Offers invited about £75,000. More land might be available. C. P. MESSENGER & SON, 4 King Edward Street, Tel. 0470 724. ANTIGUA, WEST INDIES. Island of beaches, 1000 acres, 1000 ft. high. Contact VILLA CACAO, Antigua, Tel. 0242 5224. St. John, Antigua, Tel. 0242 5224. Call for details. Also see range of tax free income producing properties for sale.

CONTRACTS AND TENDERS

CALL FOR BIDS. TURKISH COAL ENTERPRISES ANKARA, TURKEY. Turkish Coal Enterprises (TKI)-Ankara, Turkey, is inviting tenderers for bidding, for supply of mining machinery composed of different types and units of loaders, bulldozers, dump trucks and drilling machines. The tender package is to be financed by International Bank for Development and Reconstruction. Bids will be accepted from firms of the World Bank member countries and Switzerland. Bid closing date will be 13. 1979, 10 a.m. Bids received after bid closing date will not be taken into consideration. Tender documents referenced 939-EL/43 can be purchased at the following address at a charge of TL5,000 or equivalent U.S. \$105. TURKIYE KÖMÜR İŞLETMELERİ KURUMU GENERAL MANAGEMENT SATINALMA DAİRESİ BAŞKANLIĞI SÜLEYMAN SIRRI SOKAK No: 1 P.O.B. 604, YENİŞEHİR, ANKARA, TURKEY.

COMPANY NOTICES. NATIONAL FINANCIERA. Floating rate notes due 1988. The interest due January 25, 1980. The interest due January 25, 1980. The interest due January 25, 1980. CITY OF VANCOUVER. 1979-1980 Bonds. Pursuant to the terms and conditions of the loan, notice is hereby given to the bondholders that, during the twelve-month period ending September 30, 1979, US\$300,000 of such bonds were purchased in satisfaction of the Purchase Fund. Outstanding amount: US\$9,000,000. PUBLIC NOTICES. WALSALL METROPOLITAN BOROUGH COUNCIL. 12th Surrey Antiques Fair. Guildford, Surrey, Oct. 19-20, 1979. 12th Surrey Antiques Fair. Guildford, Surrey, Oct. 19-20, 1979. 12th Surrey Antiques Fair. Guildford, Surrey, Oct. 19-20, 1979.

STEADY PROGRESS FOR ENNIA IN 1979



Life Assurance



General Insurance



Non-Insurance Activities

Summary. The steady growth of Ennia in the decade 1969-79 has made us one of the largest insurance companies in Holland in terms of gross receipts. The results for 1979 show a satisfactory consistency. Our present rate of growth justifies guarded optimism for the future. Our gross receipts for 1979 were, at dfl. 1,163m, an increase of 7.6% on the same period of 1978. Total profit after tax rose to dfl. 29.2m an increase of 32% on last year even after deducting 5.5% increase in expenses, and dfl. 5m as provision for the catastrophe reserve which was established this year. Profits per share after deducting the dfl. 5m provision were up by 24% to dfl. 11.58m - after correction for the anniversary bonus of 10% in shares paid in June this year.

Table with columns: Interim Figures in dfl. million (unaudited), First Half Year 1979, 1978, Full Year 1978, 1977, 1976. Rows include Gross premium life assurance, Gross premium general insurance, Other income, Unconsolidated Companies, Gross receipts, Figures Per Ordinary Share of dfl. 20.00, Net Profit after addition to catastrophe reserve, Ordinary Shareholders' funds, Dividend.

General Insurance. A further improvement was registered. Overall gross premium income for our period has risen by 10%. Overall results are encouraging. This year's results from direct business in the Dutch market were positive. Non-Insurance. With gross-receipts up by 25%, results for our period can be considered good. Our programme of logical diversification into insurance-related activities has been growing at a reasonable rate and the prospects are favourable for greatly increasing the contribution of this section.



Churchplein 1, The Hague, The Netherlands. Balanced growth, internationally.

Form for requesting a copy of the 1978 Annual Report. Fields for Name and Address.

Life Assurance. This sector provides the major part of the Group's income. Increased profits are partly due to continuing high capital market rates of interest, giving attractive returns on new investment.

Marks & Spencer

The unaudited trading results of the Group for the first half of the financial year ending 31st March 1980 are announced as follows:—

Table showing trading results for 26 weeks ended. Columns: 29th Sept. 1979, 30th Sept. 1978, Inc./Dec. %. Rows: SALES (excluding VAT and other Sales Taxes), UK stores, Overseas stores, TOTAL GROUP SALES, PROFIT BEFORE TAXATION, TAXATION, GROUP PROFIT AFTER TAXATION, NET PROFIT AFTER TAX ATTRIBUTABLE TO MARKS AND SPENCER LIMITED, Earnings per Share (Pence).

STATEMENT BY THE CHAIRMAN

Our store sales in the UK showed good increases during the first quarter of the current financial year. The substantially increased rate of VAT, higher prices, and unseasonable summer weather led to disappointing sales in the second quarter. In co-operation with our suppliers we recently implemented a major anti-inflation drive by lowering prices or curtailing price increases on a wide range of St Michael merchandise. This action has increased sales and helped our suppliers maintain good levels of production.

On July 1st we awarded salary increases to our staff three months earlier than the comparative increases last year, with the aim of implementing future salary reviews earlier in the year. As a result the first six months' costs include an additional quarter's salary increases compared with last year.



MARKS & SPENCER

Your family is our business

INTERNATIONAL COMMODITY SHARE FUND INCORPORATED IN LUXEMBOURG. EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS. NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the Company will be held at 4, Avenue de la Porte-Nicolas, Luxembourg, on October 30, 1979 at 11 a.m. for the following purposes: namely: to receive the report of the liquidator; to appoint the committee to the liquidator; to fix the date of the closing meeting of the liquidator.

The total value of Exports from the UK, including shipments to overseas subsidiaries, was £21,618,000 (last year £21,153,000).

*adjusted to take account of the actual rate of taxation on the year's profit.

WORLD STOCK MARKETS

Companies and Markets

Wall Street shares easier after active morning

INVESTMENT DOLLAR PREMIUM... \$2.60 to \$1.32% (32%)... Effective \$2.530 91% (91%)

a good possibility that his nation would continue to produce oil at a rate above 5.5m barrels a day after December...

Barber's stock it does not yet own... THE AMERICAN SE Market Value Index was 1.07 easier at 207.47 at 1 pm after volume of 2.47m shares (3.36m).

decline of the yen. Brokers explained that the yen's weakness could result in foreign exchange losses for Japanese companies.

pected to improve considerably due to the recent increase in freight charges.

at the expense of West Germany's economic growth. Market sources, however, said that the day's heaviest share price losses were posted in the first session and that many were partially recouped in a calmer second session.

The Dow Jones Industrial Average had picked up 3.24 at the 11.00 am calculation, but subsequently receded to 830.12 at 1 pm for a fresh loss of 0.94 on balance. The NYSE All-Com...

Volume leader Fleetwood Entertainment rose 1/2 to \$71. A block of 559,000 shares were moved at \$7.

The recent sharp retreat continued over a wide front in busy early dealings. The Toronto Composite Index fell 21.2 more to 1,623.0 at noon, while the Oil and Gas Index receded 35.4 to 3,162.9. Gold rose 2.2 to 3,033.4 and Metals and Minerals 26.3 to 1,450.2.

However, Trading Houses and Real Estates were mainly higher, the latter sector on inflation hedge-buying. Trading Houses continued to be purchased on speculation that their earnings would rise because of the recent increase in oil prices.

Investor confidence was also sapped by the fresh overnight weakness on Wall Street, news that French trade had remained in deficit in September and the start of a week of strikes in the nationalised sectors in France.

Public Authority Bonds registered further losses ranging to 50 pence. The Bundesbank bought a nominal DM 3.5m of paper after purchases of DM 7.4m the previous day. Mark-denominated Foreign Loans were up to 50 pence lower.

mon index, after retrieving 21 cents, was a net 10 cents lower at \$88.50, while declines at mid-session led gains by an eight-to-five ratio. Turnover increased to 24.2m shares from Monday's 1 pm level of 21.6m.

Take-over news fuelled gains for several issues. EMI, the NYSE percentage gain leader, advanced 28 per cent to \$92 in active trading. Thorn Electrical is to offer seven of its Ordinary shares for each 20 EMI shares.

Following the good recovery of the past three trading sessions, the market initially edged further ahead yesterday before declining towards the close as investors rushed to sell oil stocks, expressing concern over a sharp

decline of the yen. Brokers explained that the yen's weakness could result in foreign exchange losses for Japanese companies.

Sharp and widespread falls were sustained in active dealings with the Bourne Industrials index retreating 5.1 to 95.2.

The recent reactionary trend continued, with the Sydney All Ordinaries index surrendering 4.91 more at 654.54.

Analysts said investors are worried about increased inflationary pressures from higher oil prices which are expected to spread through OPEC nations following increases by Libya and Iran.

Volume leader Fleetwood Entertainment rose 1/2 to \$71. A block of 559,000 shares were moved at \$7.

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Indices

Table with columns for Index Name, Date, High, Low, and Change. Includes Industrial, H'me B'n'ds, Transport, Utilities, and Trading Vol.

Table with columns for Index Name, Date, High, Low, and Change. Includes STANARD AND POORS, Ind. Div. Yield, and Ind. P/E Ratio.

Table with columns for Index Name, Date, High, Low, and Change. Includes MONTREAL, JOHANNESBURG, and AUSTRALIA.

Table with columns for Index Name, Date, High, Low, and Change. Includes HONG KONG, GERMANY, and TOKYO.

Table with columns for Index Name, Date, High, Low, and Change. Includes AMSTERDAM, COPENHAGEN, and VIENNA.

Table with columns for Index Name, Date, High, Low, and Change. Includes BRUSSELS/LUXEMBOURG, SWITZERLAND, and MILAN.

Table with columns for Index Name, Date, High, Low, and Change. Includes PARIS, STOCKHOLM, and OSLO.

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LONDON STOCK EXCHANGE

Eventful day highlighted by Thorn bid for EMI and upsurge in Oils on Government BP sale details

Account Dealing Dates

Oct 10 Oct 11 Oct 12 Oct 13 Oct 14 Oct 15 Oct 16 Oct 17 Oct 18 Oct 19 Oct 20 Oct 21 Oct 22 Oct 23 Oct 24 Oct 25 Oct 26 Oct 27 Oct 28 Oct 29 Oct 30 Oct 31

BP closed 30 higher at 362p, on relief about the size of the proposed Government sale. Gilt-edged securities were generally firm with the accent on short-dated stocks.

Stan. Chartered fell. Well founded reports that Midland were in the course of placing its 16 per cent share (nearly 11m shares) in Standard Chartered with various institutions at a price of around 470p per share.

MEASURES. Sentiment in leading equities was helped by the Thorn bid for EMI and by hopes that the Standard Chartered share placing would soon be completed.

reaction to the board's comments in the interim statement that second-half prospects are being affected by external industrial disputes.

Marks & Spencer lower. First-half profits from Marks and Spencer some £2m below the early forecasts.

With the exception of J. Sainsbury which shed 4 to 356p, leading equities generally recovered early after a start to the day.

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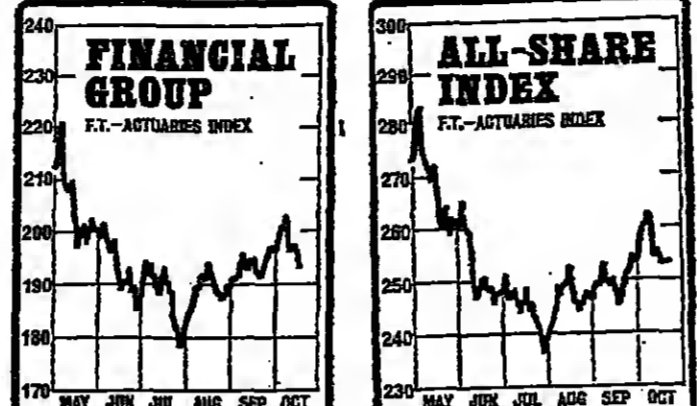
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FINANCIAL TIMES STOCK INDICES. Table showing indices for Government Securities, Fixed Interest, Gold Mines, etc., for Oct 10, 11, 12, 13, 14, 15, 16, 17, and Year ago.

HIGHS AND LOWS. Table showing high and low prices for various stock groups like Govt. Secs, Fixed Int., Ind. Ord., etc., for 1979 and Since Completion.

of next Tuesday's mid-term statement. Reflecting the earlier trend in equities, Trusts remained dull.



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LONDON TRADED OPTIONS. Table listing various options with columns for Option, Exch's, Closing price, Vol., etc.

EUROPEAN OPTIONS EXCHANGE. Table listing options for various European companies like ABN C, ABN F, etc.

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RECENT ISSUES. Table listing recent stock issues with columns for Issue Price, Date, etc.

RISES AND FALLS YESTERDAY. Table listing stock price changes for various companies like British Funds, Foreign Bonds, etc.

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FT-ACTUARIES SHARE INDICES. Large table showing various indices and their values for October 15, 16, 17, and year ago.

REVISIONS TO DIVIDENDS. Table listing revisions to dividends for various companies like Associated Eng, Lucas Inds, etc.

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مركزنا العربي

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Tr. Mgrs. (a), Friends Provident Unit Tr. Mgrs., and others, including their names, addresses, and contact information.

Mutual Unit Trust Managers (a)

Table listing mutual unit trust managers like National Provident Inv. Mgrs. Ltd., Friends Provident Unit Tr. Mgrs., and others, with their respective details.

Trusts Union Unit Tr. Managers

Table listing trusts union unit trust managers such as Trusts Union Unit Tr. Managers, Abbey Unit Tr. Mgrs. (a), and others.

OFFSHORE & O'SEAS FUNDS

Table listing offshore and overseas funds including Alexander Fund, Allen Harvey & Ross Inv. Mgt. (C.I.), and others, with their names and details.

INSURANCE & PROPERTY FUNDS

Table listing insurance and property funds such as Abbey Life Assurance Co. Ltd., ABEV Life Assurance Ltd., and others, including their names and addresses.

NOTES: This section contains important information regarding the unit trusts, including details on how to obtain prospectuses and the role of the Financial Times.

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VALUATIONS FOR C.C.A. Bernard Thorpe LONDON, SW1 TEL: 01-834 6880

EEC pressures France over lamb imports

BY MARGARET VAN HATTEN IN LUXEMBOURG

BRITAIN WON the support of seven of its EEC partners and of the EEC Commission here yesterday in its dispute with France over lamb and mutton imports. The Council of Ministers put heavy pressure on France to remove illegal controls on British lamb and mutton shipments within the next two weeks.

NEB chief hits at Rolls-Royce demands for aid

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A SIMMERING row over the future state funding of Rolls-Royce's extensive aero-engine programme came into the open yesterday when Sir Leslie Murphy, chairman of the National Enterprise Board, said the company ought to adopt a "more stringent application of financial discipline."

Community may curb petrochemical imports

BY GILES MERRITT IN BRUSSELS

THE EUROPEAN Commission is considering measures to stem the flood of U.S. oil, gas, fibre and petro-chemical feedstocks into the European Economic Community.

AUEW executive calls for Chrysler return

BY NICK GARNETT, LABOUR STAFF

THE EXECUTIVE of the amalgamated Union of Engineering Workers decided yesterday to go over the heads of shop stewards and recommend strikers at Chrysler's Stoke engine plant in Coventry to return to work.

The possibility of similar action against Dow-Badische, a U.S. West German joint venture linking Dow Chemical and BASF, is also being studied.

State industry heads must curb rises

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

NATIONALISED INDUSTRY chairman will be told soon by the Government that they should plan for wage rises this winter well below the 17 1/2 per cent increase expected in the retail price index by the end of the year.

Thorn offer

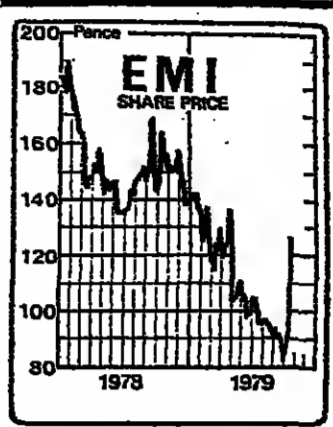
Continued from Page 1

At the core of Thorn's strategy is its intention to market EMI's music, film and television "software" in record, cassetts or video tape form, beside its own "hardware" - televisions, video recorders and music centres.

Hazardous plunge for Thorn

THE LEX COLUMN

Index rose 4.5 to 472.5



The decision of the Government to reveal the size of the forthcoming BP offer—which will be only about half the figure originally indicated at the time of the Budget in June—was evidently designed to get the price up before the underwriting process begins.

Marks and Spencer

Having grown by a third in 1978-79, Marks and Spencer's UK profits rose by a mere 1.8 per cent in the first half of the current year and non-food sales (two thirds of its UK turnover) rose by just 9 per cent.

TOKAI TAKING CHARGE

Advertisement for Tokai Bank featuring the headline 'The decision-maker's decision-maker' and a large image of a hand holding a pen over a document.

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مكتبة المصطفى